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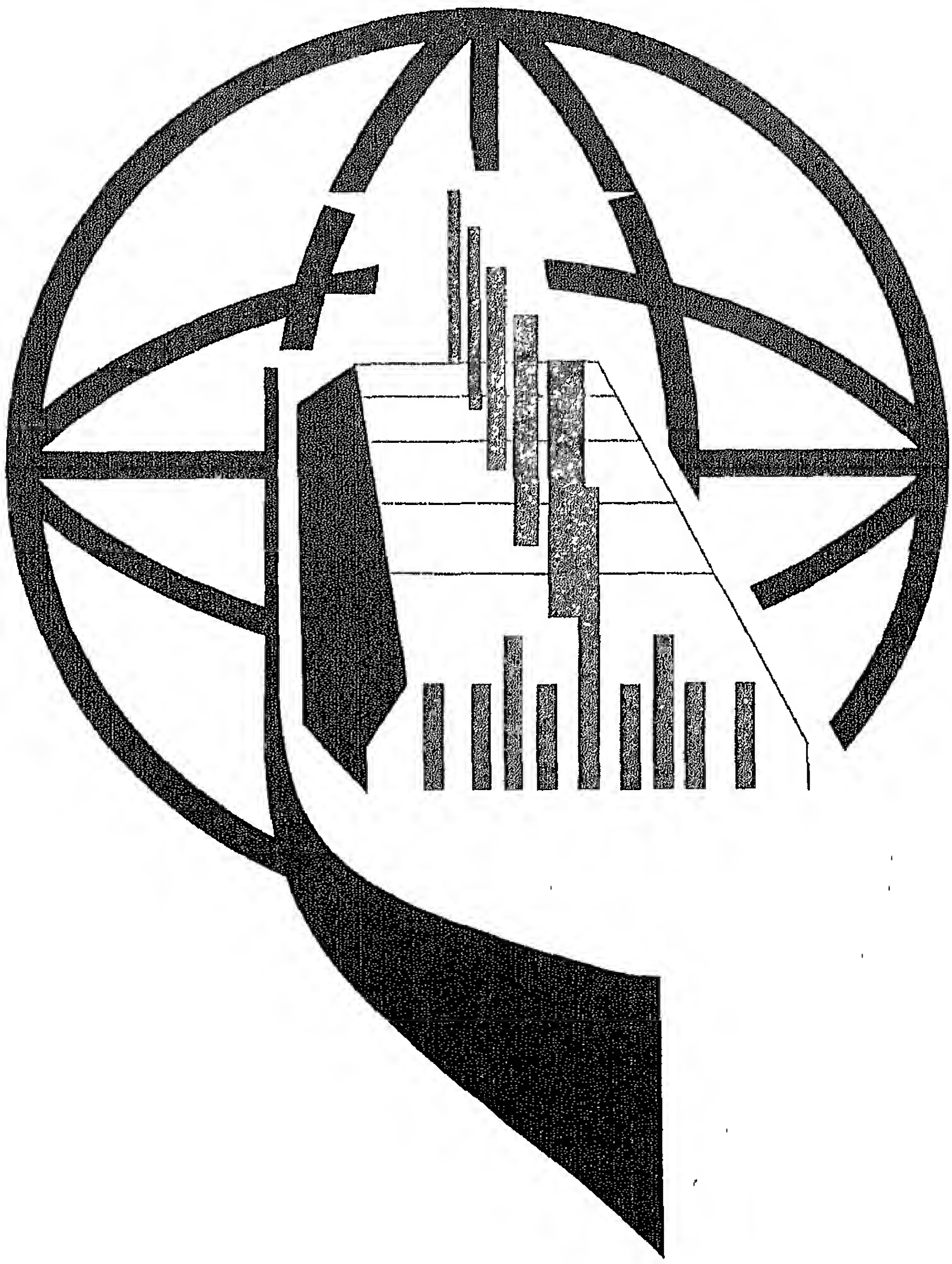

maritime subsidies

U S DEPARTMENT OF COMMERCE
Maritime Administration
Office of International Activities

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TABLE OF CONTENTS

FOREWORD

This volume is intended to be a ready reference with information on the direct and indirect assistance that nations of the world offer to their merchant fleets. It is hoped that the information contained in this study will be both interesting and helpful to the shipping community.

This is the tenth publication that the Maritime Administration has released on the subject of maritime subsidies. The first two studies, released in 1958 and 1962, dealt with the subsidy programs of major maritime nations. The third, published in 1964, was prepared for the Joint Economic Committee of the Eighty-eighth Congress and covered eleven nations. Since then, more substantial volumes have been released, including a 1966 study of maritime subsidies in seventeen Western Hemisphere countries. The present volume covers the subsidies and aids of 57 maritime nations.

It has been found that governments of most nations possessing merchant fleets, whether state-owned or privately-owned, offer some form of special assistance to their maritime industries to further their commercial and political interests. The great trading nations have developed huge merchant fleets that have an impact all over the world, and many developing nations are seeking, in various degrees, to follow suit. The present study is intended as a comparison of the subsidies and aids that are offered by different countries, and which influence the competitive sphere in which their vessels must operate.

This study was prepared by Bruce H. Hendrickson, International Activities Specialist, under the direction of Reginald A. Bourdon, Director, Office of International Activities. He is indebted to the experts in the various governments who reviewed the draft and suggested revisions where needed and to Beth Ann Barker who typed the manuscript and correspondence involved in its preparation.

INTRODUCTION

A national merchant fleet is believed to be of vital economic and security interest by many of the world's governments, and in order to ensure that these interests are upheld, many governments have developed myriad aids and subsidies in support of their merchant fleets.

The costs of developing and operating a merchant fleet vary tremendously from country to country. Where a nation will have an advantage concerning a particular cost factor that nation will probably be suffering from a disadvantage in another cost area. As a result, almost all of the nations included in this study provide some direct and/or indirect aids to their merchant fleets, as well as to their shipbuilding industries. These aids may include the following, although their forms vary:

- Operating subsidies
- Construction subsidies
- Trade-in allowances
- Official low-interest loans
- Interest subsidies
- Official loan guarantees
- Accelerated depreciation
- Tax-free reserve funds
- Duty-free imports of materials needed for ship construction
- Cargo preference schemes
- Cabotage restrictions

In addition to these direct and indirect aids many nations offer a wide variety of social, economic, and political assistance, such as:

- Schools for the training of merchant seamen.
- Hospital and medical care for merchant seamen.
- Social security family payments to seamen in addition to stated holiday or vacation payments.
- Laws requiring the construction of national flag ships only in domestic shipyards for operation in a nation's foreign and domestic trades.
- Laws specifying that materials and component parts for the construction of ships and their maintenance and repair, as well as for food, stores and supplies, be purchased domestically.

These types of assistance have not usually been included in this study since their impact upon competitive factors involving a nation's maritime activities varies so considerably and is so intertwined with other phases of a nation's social, economic, and political structure as to be extremely difficult to evaluate.

Of the nations that have merchant fleets 57 are included in this volume. Excluded, for the most part, are those countries: (1) whose fleets total less than 150,000 gross tons, and (2) whose maritime industries are controlled by centrally-planned economies, such as the Warsaw Pact nations, the People's Republic of China, Albania, Cuba, North Korea, and Yugoslavia.

Unless otherwise noted, all references to tonnage are deadweight tonnage.

All fleet size statistics are as of December 31, 1978, and are of vessels over 1,000 dwt. These statistics are derived from Merchant Fleets of the World, issued by the Maritime Administration's Division of Trade Studies and Statistics. Trade statistics are from the International Monetary Fund publication Direction of Trade--Annual 1979 and the GNP and GNP/capita figures are from the World Bank Atlas/1979. It was felt that obtaining statistics from common sources would facilitate the comparison of countries.

Many governments have confirmed the information contained in this volume; responses from the following countries had not been received by the date of printing.

Belgium	Italy	Peru
Chile	Liberia	Spain
Egypt	Malaysia	United Arab Emirates
France	Mexico	Uruguay
Greece	Morocco	
Ireland	Pakistan	

Participation in United States oceanborne foreign trade includes cargo carried in vessels of less than 1,000 gross tons and cargo carried in the trans-Great Lakes trade. Military shipments are not included.

In order to achieve accuracy, a thorough examination was made of official foreign and United States releases and publications and internationally-recognized technical journals and newspapers devoted to shipping and shipbuilding. Additionally, personal interviews and correspondence with United States and foreign government officials were essential to the success and accuracy of the study.

ALGERIA, DEMOCRATIC AND POPULAR REPUBLIC OF

ECONOMIC BACKGROUND

Size of Fleet: 69 vessels; 1,775,000 dwt.

Freighters :	40 vessels;	282,000 dwt.
Tankers :	23 vessels;	1,366,000 dwt.
Bulk Carriers:	6 vessels;	127,000 dwt.
Other :	0 vessels;	0 dwt.

Foreign Trade: (1979 figures)

	exports	imports
value (million US$) :	$9,380	$8,419
commodities :	petroleum products	capital goods, semi-finished goods, foodstuffs
major trading partners:	US, FRG, France	France, FRG, Italy

GNP (1977) : $19,570,000,000
GNP/capita (1977): $1,140

Algeria's state-owned shipping line, Compagnie Nationale Algerienne de Navigation (CNAN) has as its major goal the carriage of 50% of Algeria's foreign trade. In early 1979 it was reported that the line was carrying about 25% of all dry goods traffic; 13-15% in its own ships and 10% in chartered vessels. Algeria's participation in liquid bulk traffic, especially crude oil traffic, is much lower.

The next five-year plan calls for several new ships to be built, which should increase CNAN's participation in the carriage of Algeria's foreign trade.

Government Aids

Article 1 of Algerian Law No. 78-02 of 11 February 1978 states: "In accordance with the provisions of the national charter, and applying Article 14 of the Constitution, the import and export of goods, supplies and services of all kinds are under the exclusive control of the State."

The law also states: "Contracts of a commercial agency or of representation whose purpose is the realization of the import or export of merchandise or the use of services can only be concluded with foreign companies, wherever they may be, in Algeria or abroad, by an organization of the State."

Cargo Preference

Transportation of liquefied natural gas (LNG) is provided for in the sales contracts and vary according to the contract. The Distrigas Boston contract and the ENAGAS (Spain) contract reserve 100% of LNG transport for Algerian vessels. The Trunkline Houston contract calls for the carrying of 67% of the LNG in CNAN ships and 33% in Trunkline vessels. LNG carriage for the Gaz de France contracts is split 50/50 between French and Algerian ships. El Paso ships are to carry 100% of the LNG for the El Paso contract.

Except for crude oil, traffic between the ports of metropolitan France and Algerian ports is reserved for Algerian and French-flag vessels.

Agreements to divide cargo on either a 50/50 basis or on the UNCTAD 40:40:20 basis have been signed with France, U.S.S.R., Bulgaria, Guinea, Brazil, the German Democratic Republic, the People's Republic of China, and the Republic of Cape Verde.

Government Ownership

The Compagnie National Algerienne de Navigation (CNAN) and the Societe Nationale pour la Recherche la Production, la Transport, la Transformation et la Commercialisation des Hydrocarbures (SONATRACH) are state-owned concerns.

Algeria owns a 13.7% share in the Arab Maritime Petroleum Transport Company (AMPTC). Two vessels of the Compagnie Algera-Libyenne de Transport Maritime (CALTRAM), a joint Algerian-Libyan venture, fly the Algerian flag. Algeria also holds a 49% interest in the Algerian-Beninese shipping line. (The Republic of Benin owns the remaining 51%.)

The United States Export-Import Bank financed traffic between the U.S. and Algeria. This traffic was equally divided between vessels of each country.

ARGENTINA

ECONOMIC BACKGROUND

Size of Fleet:	187 vessels;	2,708,000 dwt.
Freighters :	108 vessels;	1,010,000 dwt.
Tankers :	55 vessels;	1,052,000 dwt.
Bulk Carriers:	22 vessels;	642,000 dwt.
Other :	2 vessels;	4,000 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$8,412	$7,569
commodities :	agricultural products	machinery, iron and steel, intermediate industrial products, petroleum products
major trading partners:	Brazil, Netherlands, Italy, U.S.	U.S., Germany, Brazil

GNP (1977) : $48,710,000,000
GNP/capita (1977): $1,870

The State-owned Empresa Lineas Maritimas Argentinas (ELMA) is expanding and updating its fleet with a ten-year (1979-89), $632 million program which will include the purchase of 120 ships totalling 470,000 dwt. One-third of the cost of the ten-year program is to be borne by ELMA without recourse to national treasury funds.

With over 95 percent of Argentina's foreign trade oceanborne, this updating and expansion will enable Argentine flag-lines to carry a larger percentage of the trade.

GOVERNMENT AIDS

Operating Subsidy or Aids

According to Article 13, Law 20,447 of May 22, 1973, the Executive Branch is authorized to economically assist state-owned shipping companies which provide water way transportation services assigned to them by such authority for reasons of national interest, whenever the income-producing capacity of the service is unprofitable due to freight market conditions or non-retributory fixed rates.

Such regime may be extended to domestic private shipowners whenever their services are required under the same circumstances.

Construction Subsidy or Aid

The Merchant Marine National Fund grants loans and subsidies.

The loans may be granted:

a) to domestic private shipowners or shipping firms of joint or private capital for the construction of ships or naval devices in Argentine shipyards;

b) for the construction, in Argentine shipyards, of ships assigned to the auxiliary navigation services or to public services belonging to private or joint domestic firms;

c) to build ships to be rented to domestic shipowners;

d) to participate with credit institutions in the granting of loans to finance repairs or conversion of ships.

The same law establishes the granting of subsidies:

a) to domestic shipyards or shipowners, whenever the ship or naval device is assigned to satisfy requirements of national interest. (This subsidy can not exceed in anyway, the difference between the construction cost in a domestic shipyard and the international cost);

b) to promote studies on the fluvial and maritime activity, contracting of special studies, library maintenance and acquistions.

The Merchant Marine National Fund is made up from:

a) the balance remaining in the Fund on the date the present law was sanctioned;

b) a duty of up to 5 percent of the value of the international maritime and fluvial export transportation freight paid the exporter, and up to 20 percent of the import's freight paid by the importer;

c) a duty of up to 10 percent of the cost of the international maritime and fluvial fare, paid by the passenger;

d) a duty of up to 10 percent on the auxiliary navigation services rendered, paid by the users of such services;

e) a duty of up to 10 percent of the coastal trading freight, paid by the shipper;

f) a duty of up to 10 percent of the passenger's water way transportation public service, paid by the passenger;

g) the interest accrued from loans granted through this fund;

h) income from fines resulting from infringement of regulations or legal rulings pertaining to the shipping activity, and surcharges resulting from non-payment of the taxes specified in clauses b), c), d), e), and f) of this article;

i) patrimonial income;

j) donations and legacies;

k) the net balance remaining after each fiscal year;

l) income from the sale of publications and other advertising means;

m) contributions from the National Treasury and other non-specified funds.

The percentages shown in clauses b), c), d), e), and f), apply to all freight, fares and rates from foreign or Argentine flag ships, and will be fixed by the Executive Branch.

Tax Benefits

Law 22.016 made state-owned firms subject to taxation.

Argentine exporters of new and unused goods manufactured in Argentina can obtain a refund of up to 25 percent of the value of the goods exported and sold in respect to taxes paid in the international market bearing directly or indirectly on the goods and/or raw materials. The amount of reimbursement or refund is determined in the following manner:

a) on FOB value when export is on a foreign international carrier and insurance is effected outside Argentina;

b) on the C. and I. value when insurance is effected in Argentina;

c) on C. and F. value when export is on an Argentine carrier;

d) on C.I.F. value when both an Argentine carrier and an Argentine insuror are used.

Loans and Interest on Loans

The National Fund for the Merchant Marine is the institution in charge of granting loans and subsidies for the naval industry. (See Construction Subsidies.)

The amount of the loans may cover up to 90 percent of the total cost and is repayable in up to 15 years, with a grace period of 6 months. The administering authority is the State Secretariat for Maritime Interests.

Cargo Preference

All imports consigned to National or Provincial Government or municipalities, the decentralized and independent departments of the National and Provincial Governments and Municipalities, the government concerns within National, Provincial or Muncipal jurisdiction and/or the concerns in which the social capital belongs in a major portion to any of the previously mentioned entities must be transported by Argentine flag ships. Necessary measures must be taken to ensure that the largest possible share of exports by any of the above mentioned entities be carried by Argentine vessels.

Vessels under time charter or leased by Argentine shipowners whose charters have been previously authorized by competent authorities are also included as Argentine flag vessels. However, vessels in Argentine register will always have priority.

The requirement that all government imports and the largest possible share of government exports be carried by Argentine flag carriers does not apply when administrative or private treaties or agreements are in force whereby a share of not less than 50 percent of the cargoes are reserved to Argentine flag vessels.

According to the 1973 Merchant Marine Law, the Government of Argentina must approve all freight conference agreements which involve Argentina's overseas commerce. The law reaffirms Argentina's "right" of being able to carry 50 percent of its water-borne foreign trade. The tendency is that Argentina reaches the carrying of 50 percent of its foreign trade.

Two United States shipping companies have pooling agreements with Argentina covering the southbound movement of government-controlled cargoes.

Argentina has maritime transportation agreements with Brazil, Peru, and the U.S.S.R. whereby the exchange of goods is to be divided in equal proportions between Argentine-flag ships and ships of these trading partners. In the case of a shortage of such ships, it is necessary to obtain a waiver for transport in third-flag carriers.

Argentina and the People's Republic of China have signed a bilateral shipping agreement providing for a 50:50 sharing of mutual maritime trade.

Government Ownership

The government owns the Empresa Lineas Maritimas Argentinas (ELMA), the principal company operating in international trade, as well as the major oil company, Yacimientos Petroliferos Fiscales (YPF), and one river fleet, all of which total about 48 percent of the merchant fleet. There are six privately owned shipping companies with more than 100,000 tons, with six others with more than 50,000 tons.

Other

All imports must be effected in an Argentine flag ship when made by, through or consigned to:

a) The National Government.
b) The Provincial Governments.
c) The Municipalities.
d) Municipal, Provincial and State autarchic and decentralized agencies.
e) State enterprises of municipal, provincial or national jurisdiction.
f) Corporations in which the majority of the business capital pertains to any of the aforementioned entities.

The obligation to transport in Argentine flag ships is extended to unofficial import operations financed by any credit institution integrating the Government's banking system or endorsed by same. In this case, those institutions will proceed to include this commitment in the corresponding credit contract and they will be held responsible in case of omission. In the terms outlined in Article 6, also comprised under this obligation, are those imports enjoying benefits or grants pertaining to exchange rates, taxes, customs or of any other nature, as well as those originating from capital investments by virtue of which those grants or benefits are given. The Executive Branch will determine when this obligation will be extended to export operations executed in similar financial conditions or enjoying similar benefits or grants.

In order to obtain the certificates of "Cargo Loaded on Foreign Flag Vessel - Law No. 18,250" corresponding to general cargo to be loaded at ports serviced by Argentinian flag regular traffic, the importer shall submit a request in triplicate to the National Administration of Maritime Activities 30 days before cargo loading date, which must contain the following information:

TYPE OF CARGO: WEIGHT AND/OR VOLUME: CARGO STOWAGE: MEASURE UNIT AND QUANTITY: COUNTRY OF ORIGIN: NAME AND NATIONALITY OF THE SHIP: UNLOADING PORT: TO BE PRESENTED AT:

THE NATIONAL ADMINISTRATION OF MARITIME ACTIVITIES will require from the shipowners to certify the existance or not of a ship in position with an available wharehouse to carry out the transportation. This certification must be extended by the shipowners within FORTY EIGHT BUSINESS HOURS (48) following the reception of the request. Otherwise, the NATIONAL ADMINISTRATION OF MARITIME ACTIVITIES will extend, without further formalities, the certification of "Cargo Loaded on Foreign Flag Vessel - Law No. 18,250". For cargo to be loaded at ports not serviced by regular lines or for bulk or massive cargo of one type of merchandise or directed to one importer, the importers must present evidence of having offered such cargo 30 days before cargo loading, and having granted the shipowners a 10 day minimum period, to present their offers.

The certificate of "Cargo Loaded on Foreign Flag Vessel - Law No. 18,250" for cargo comprised in "pool" agreements ratified by the SECRETARIAT OF STATE OF MARITIME INTERESTS" will be granted as follows:

a) The Representatives for Empresa Lineas Maritimas Argentinas overseas, acting as delegates for the SECRETARIAT OF STATE OF MARITIME INTERESTS, will grant a Pre-Certificate of Shipment. Such delegations must give copy of these pre-certificates to the Argentine lines participating in the "pool" agreement.

b) The pre-certificate of shipment will be subsequently ratified by the NATIONAL ADMINISTRATION OF MARITIME ACTIVITIES.

ECONOMIC BACKGROUND

<u>Size of Fleet</u>:	79 vessels; 2,166,000 dwt.
Freighters :	34 vessels; 382,000 dwt.
Tankers :	14 vessels; 461,000 dwt.
Bulk Carriers:	31 vessels; 1,322,000 dwt.
Other :	0 vessels; 0 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$18,686	$16,571
commodities :	agricultural products, mineral products	manufactured raw materials, capital equipment, consumer goods
major trading partners:	Japan, U.S., New Zealand	U.S., Japan, U.K., FRG

GNP (1977) : $102,570,000,000
GNP/capita (1977): $7,290

With more than 12,000 miles of coastline, virtually every major Australian city is a seaport. Considerable port expansion has and is taking place throughout the country. This includes two new container terminals at Port Botany (Port of Sydney) and one at Fisherman Islands (Brisbane). In addition, new bulk loading facilities particularly to handle increased exports of coal, are being developed at various ports around the coast.

In 1978/79 Australian flag vessels carried 2.65 percent of Australia's oceanborne foreign trade (3.90 percent of imports and 2.44 percent of exports).

Australian flag vessels lifted 9.8 percent of cargoes carried in all Australia's overseas liner trades, 12.0 percent of imports and 7.3 percent of exports over the same period.

GOVERNMENT AIDS

Operating Subsidy or Aid

A subsidy arrangement to maintain freight rates at their 1974 levels on the Australian National Line's northbound general cargo service from Tasmania to the Australian mainland applied from 14 November 1974. From 1 July 1976 this subsidy was replaced by a scheme providing freight equalization assistance to consignors of specified goods, not traded internationally, moving between Tasmania and the Australian mainland.

The Australian Government provided a subsidy of $2 million in 1979-80 to the Australian National Line for the operation of the passenger ferry 'Empress of Australia' in the Tasmanian passenger trade.

No other operating subsidies were provided by the Australian Government to shipowners as of 30 June 1980.

Construction Subsidy or Aid

The Australian Government provides a bounty for the construction of fishing vessels having a designed load water line length of more than 21 metres, and other vessels having a gross construction tonnage of more than 150 tons, built in registered Australian shipyards for use in Australian waters, or as an Australian registered vessel.

A scaled bounty of up to a maximum of 29½ percent depending on the cost of construction, size, and date construction commences, is currently granted for such ships. This maximum rate of bounty will be phased down in stages so that by 1 July 1986 the rate of bounty payable will be 20 percent of the cost of construction. The bounty seeks to provide assistance to Australian shipyards to enable them to compete effectively with overseas shipyards in tendering for Australian flag vessels.

Bounty is also payable in respect of modification of vessels where the cost of modification exceeds $A400,000. The rate of bounty is 20 percent of the cost.

The importation of vessels over 150 tons is prohibited except with the written permission of the Minister of Transport. Unless required for temporary use, approvals are generally given where Australian yards have been given the opportunity to tender bids and failed to do so, or where the price of the ship in an Australian yard, after payment of bounty, exceeds the construction price tendered by an overseas yard including delivery to Australia.

Vessels under 150 tons are dutiable at rates up to 25 percent.

There are no concessional credit facilities made available for the shipbuilding industry in Australia.

In 1979 it was decided that Australia's commercial shiprepair activity would no longer receive financial aid.

Custom Fees

Machinery and equipment used in the construction of new ships in Australian yards may, in some circumstances, be imported at minimum rates when equivalent goods are not reasonably available from Australian manufacturers.

Depreciation

For income tax purposes the present rate of depreciation for Australian general cargo ships is based on a 20-year life, and, for bulk carriers, tankers, Ro/Ro, and container ships, on a 16-year life.

The owner may choose either straight-line or reducing balance method of depreciation. The rate of depreciation allowable under the reducing balance method is 1-1/2 times the percentage rate fixed by reference to the estimated life of the vessel.

If the vessel is sold for more than its depreciated value, the portion of the excess which represents depreciation previously allowed as a deduction is included in the owner's assessable income or, at the owner's option, offset against the cost of a replacement ship or other ships or depreciable items held by the owner for the purpose of determining the value of that ship or those items for depreciation purposes. Conversely, if the vessel is sold for less than its depreciated value, the difference between that value and the sale price is deductible.

Investment Allowance

For plant ordered or contracted for between 1 July 1978 and 30 June 1985 the investment allowance will be at the rate of 20 percent but the plant will need to be first used or installed ready for use by 1 July 1986. The income tax deduction for the investment allowance will become available in the income year in which the plant is first used or installed ready for use. Capital expenditure on the purchase of a new ship would attract the investment allowance provided that the ship was to be used (wholly and exclusively) in Australia for the production of assessable income. A ship that sails between Australia and overseas ports would not meet this requirement.

Anticipated Depreciation

Depreciation is allowable in respect of plant on articles owned by a taxpayer and

(a) used by him during the year of income for the purpose of producing assessable income; or

(b) installed ready for use for that purpose and held in reserve by him.

The date from which depreciation of a new ship should commence, for income tax purposes, may vary according to the facts of each individual case. The date on which ownership is acquired would be appropriate if at that time the ship required no further fitting out in order to begin service and if at that time the ship was at a port from which it would normally take on passengers or cargo. For example, a ship intended for an Australian coastal run would not be regarded as "installed ready for use" for the purpose of providing assessable income merely upon delivery at a foreign shipyard. It is considered that depreciation of such a ship would commence, for income tax purposes, when it reached the first port of its Australian run.

Cargo Preference and Cabotage

Australia's coastal trade is reserved for vessels licensed under the Australian Navigation Act; that is, those which comply with Australian standards of manning and accommodation and on which conditions and wages are made in accordance with Australian industrial awards.

Government Ownership

(a) Commonwealth

The Australian Shipping Commission, which was established in 1956, operates the Australian National Line, a Commonwealth-owned merchant shipping authority. Until 1969, the Australian National Line operated vessels principally in the Australian coastal trade. However, since 1969, the Line has developed services in international liner and bulk cargo trades. As of 30 June 1979 the Line had 35 ships (1,362,060 deadweight tons), 12 of which were operating in overseas trades. About 80 percent of the coastal cargoes carried by the Australian National Line are bulk items, principally iron ore and bauxite.

The Cockatoo Island Dockyard at Sydney is owned by the Commonwealth and is leased to Vickers Cockatoo Dockyard Pty Ltd. Work at this yard is confined mainly to naval vessels.

(b) States

The Western Australian Coastal Shipping Commission operates a cargo service principally on the west coast of Australia with three vessels.

The Tasmanian Transport Commsssion operates one small vessel engaged in intrastate trading in Tasmania and between Tasmania and Victoria.

Amongst others, the State Dockyard at Newcastle, New South Wales, is involved in shipbuilding and ship repair activities. The Dockyard has a floating drydock which can accommodate vessels of up to 22,000 dwt for repairs.

BELGIUM

ECONOMIC BACKGROUND

Size of Fleet:	68 vessels;	2,421,000 dwt.
Freighters :	32 vessels;	474,000 dwt.
Tankers :	12 vessels;	614,000 dwt.
Bulk Carriers:	23 vessels;	1,318,000 dwt.
Other :	1 vessel;	15,000 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$56,255	$60,402
commodities :	iron and steel products, finished or semi-finished precious stones, textile products	non-electrical machinery, motor vehicles, textiles, chemicals, fuels
major trading partners:	EEC, U.S.	EEC, U.S.

GNP (1977) : $81,550,000,000
GNP/capita (1977): $8,280

About 73 percent of Belgium's ocean borne foreign trade moves through the Port of Antwerp, and approximately 5 percent of the cargo crossing Antwerp's docks is carried in Belgian-flag ships.

The Port of Antwerp handled 70,030,000 tons of cargo during 1977, of which some 4,878,000 was containerized. The Antwerp-Rotterdam crude petroleum pipeline had a flow of 27,200,000 tons in 1977. A new port on the left river bank of the River Scheldt is scheduled to be partly in operation by 1981 and will be designed for vessels up to 80,000 tons.

Tax Benefits

There are several measures which benefit Belgian shipping and shipbuilding:

1. Exempt from the "value added" tax are:

   - deliveries and imports of seagoing vessels and inland waterways ships, with the exception of yachts and pleasure boats;

   - services with regard to seagoing vessels or inland waterways ships, with the exception of yachts and pleasure boats;

   - deliveries to and importation by builders, owners or users of seagoing vessels or inland waterways ships, with the exception of yachts and pleasure boats, when not used for common transport, or:

     a) goods intended for construction, equipment, maintenance or repair of those vessels;

     b) supplies for seagoing vessels.

2. Exempt from import duty are goods intended for use in construction, reconstruction, equipment repair, or maintenance of ships as referred to in sections 89.01A and B1,89.02A and B1,89.03A of the tariff schedule of Import Duties. The ships referred to in those sections concern seagoing vessels and tugboats which are free from import duty according to the common customs tariff; for inland waterways ships other than tugboats, therefore, no exemption from import duty is granted.

3. Incurred losses can be carried forward to offset future profits.

Loans and Interest on Loans

The Belgian Government found it necessary to take legislative action to help rebuild the merchant fleet after the last war to aid in expanding foreign trade. Credit facilities, however, are not designed to bring shipbuilding or operating costs in line with foreign competitors.

The Act of August 23, 1948, amended, provides for credits to Belgian shipowners for building ships at home or abroad, or purchase abroad. The Minister responsible for shipping is authorized:

1. To advance interest-bearing loans to shipping companies

a. for shipbuilding
b. for renewing or developing maritime equipment (subject to relevant provisions of the Act). Loans cannot exceed 70 percent of the value, except by special authorization.

2. To guarantee reimbursement of principal, interest and other charges for the above loans for the purpose specified by Belgian credit institutions.

3. To grant recipients of above loans allowances not to exceed half of the interest payable to the credit institutions for such loans, such allowances not to exceed an interest rate of 3 percent on capital outstanding.

4. To grant repayable financial support, with or without interest, if approved by the Council of Ministers as being in the national interest, to shipping companies on their creation, or for their continued operation.

The annual amount of interest payments depends on the government participation in each credit operation and on the amount of credit involved. Such subsidies averaged $4,861,000 in 1976 and $8,425,700 in 1977. In 1978 the amount of credit granted was approximately $166,722,840.

Subsidies granted by the government for repayment of interest are financed by the ordinary budget.

The government also guarantees credits under Item 2 above. The only credit institutions authorized to finance these shipping credits are the "Societe Nationale de Credit a L'Industrie" and the "Caisse General d'Expargne". Credits granted by these institutions are financed by loans and by deposits of the Savings Bank.

The loan fund is financed by annual grants of the extraordinary budget. Loans are made available through a special fund which grants the loans on approval of the Minister of Communications.

In early 1979 credit terms for domestic owners ordering tonnage from home yards were eased. The terms range from 80 percent of contract price with one percent interest to 85 percent with one and one-half percent interest, with an additional credit of five percent with an interest rate of ten percent available. Repayment periods are 15 to 16 years, including a two-year moratorium.

Owners who purchase secondhand vessels can also obtain financing from the government. This amounts to 70 percent of the price with repayment over 15 years at an annual interest rate of four percent.

Interest subsidies of four percent are also granted on loans for shipyard investment projects. The loans cover 50 percent of project cost and are repayable in five years.

Export Credit

The Minister of Foreign Trade is authorized to grant State aid in the form of reduced interest rates for the promotion of exports of Belgian capital goods to non-EEC countries. This interest subsidy applies not only to ships, but to any capital goods. However, in accordance with the OECD Understanding on Export Credits for Ships Belgium has undertaken not to grant interest subsidies which would reduce the actual cost of credit below eight percent.

Export Credit Insurance

Ship export credits of up to eight years duration can be insured against commercial and political risks by a government agency. In any case, credit insurance is almost always required before the necessary finance can be obtained.

Premiums for insurance against credit risks on the basis of eight years' post-delivery credit are approximately 2.6 percent of the amount of the credit.

Depreciation

When calculating the basis for depreciation of capital expenditure on shipping the amount of subsidy granted the ship-owner must be deducted from the purchase price.

Depreciation allowances on new ships are based on the following schedule:

First year	20%
Next two years, each	15%
Each succeeding year until full depreciation (8 years)	10%

Expenditures for modernization of existing ships or cost of major repairs and alterations on the acquistions of secondhand ships are subject to the same schedule of depreciation.

Ships which have previously been written off at amounts less than those allowed by the above schedule may be changed to the accelerated schedule and recover the difference, provided the total depreciation in any one period does not exceed 20 percent of the value to be written off in that period.

Depreciation can commence before delivery of the goods as long as these are part of a contract and only to the extent that payments have been made and entered into the accounts during the accounting period.

BRAZIL

ECONOMIC BACKGROUND

Size of Fleet:	284 vessels;	6,069,000 dwt.
Freighters :	186 vessels;	1,477,000 dwt.
Tankers :	61 vessels;	2,548,000 dwt.
Bulk Carriers:	33 vessels;	2,041,000 dwt.
Other :	4 vessels;	4,000 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$15,042	$18,058
commodities :	agricultural products, iron ore	machinery, petroleum, chemicals
major trading partners:	U.S., FRG	U.S., Iraq, Saudi Arabia, FRG

GNP (1977) : $163,880,000,000
GNP/capita (1977): $1,410

With a coastline of about 5,000 miles and with the current importance of foreign trade to the Brazilian economy, shipping is of major importance. Iron ore is shipped from the Port of Tubarao, which can accommodate ore carriers of up to 150,000 dwt., however, the Port of Santos is still Brazil's major seaport.

In 1977 more than $200 million was spent on port development and related programs, and government projections call for at least an equal amount to be spent annually through 1981. The aim is to upgrade the handling of all types of cargo in Brazil. (In 1977 about 46 percent of total tonnage was liquid bulk, 47 percent dry bulk, and 9 percent general cargo.)

In 1972, about 42 percent of the coffee exports were carried in Brazilian bottoms. In 1979, Brazilian-flag ships carried 50 percent of the country's oceanborne foreign trade.

Brazilian shipbuilders received 120 orders during 1975 and have work reaching into 1982. The 5-year plan (1975-79) envisages building 150 units (5.1 million dwt.) for deep-sea navigation. With some 3 million dwt. of new buildings on its order books, Brazil is one of the most successful shipbuilding countries in the world.

During the first seven months of 1978, Petrobras' tanker fleet (Fronape) carried 39.4 million tons of crude oil which was an 8 percent increase over the corresponding period of 1977. In 1978 Fronape operated 105 ships totalling 10.6 million grt., 50 were owned by Fronape while the rest were chartered.

GOVERNMENT AIDS

Operating Subsidy or Aid

There is no operating subsidy to private shipping companies. Almost 80 percent of the tonnage of the merchant fleet is government-owned. The principal company operating in foreign trade, Lloyd Brazileiro, has any residual operating losses covered by the government in pioneer lines that cover areas in research phase of market.

Construction Subsidy

In the fall of 1979 the Brazilian government announced that a fund of $517 million would be made available in 1980.

Decree Law No. 60679 of May 3, 1967, created the Merchant Marine Refinancing Fund. This Fund is controlled and administered by the National Merchant Marine Superintendency (SUNAMAM) and will be used to finance the construction of cargo vessels for Brazilian shipping lines engaged in international trade.

Shipping lines which purchase vessels will repay the Fund within the terms to be specified. They will pay the equivalent of the price of ships produced in Western Europe. The difference between the Western European price and the higher Brazilian price will be absorbed by the Fund. In this way, the Fund will be partially replenished over the years, enabling it to continue as a source of financing for ship construction and repair.

In support of the action taken by the Merchant Marine Commission in 1958 to develop shipyards, the government agreed to assist the yards by purchasing stock, granting loans, deeding building sites, building access roads, and granting other benefits. These activities are continuing.

Customs Duties

On May 26, 1975, a decree law was signed exempting materials and equipment imported during the next five years for the shipbuilding program from import duties and manufactured goods tax.

Tax Benefits

Law 4622 of May 3, 1975, as amended, exempts from import duties and from the consumption tax the importation of materials and equipment for shipbuilding. Also exempted are materials and equipment for the expansion of industries complimentary to the shipbuilding industry, such as the production of diesel motors for electric power generators, and other material, according to projects approved by the Council of Industrial Development of the Ministry of Industry and Commerce. Shipbuilding is also exempt from industrial product and regional taxation.

The Merchant Marine Fund and Renovation Tax for the Merchant Marine was created in 1958, and in 1970 it was renamed "Freight Additional for Renewal of the Merchant Marine" (AFRMM). Under actual conditions a tax of 20 percent, payable by cargo owners, is imposed on freights imported in international trade, and on coastwise freights. The money is earmarked for the purchase, construction, and modernization of ships.

Loans and Interest on Loans

The government grants credits to Brazilian shipping lines of up to 85 percent of the ship's cost, repayable over 15 years, at interest rates between 5 and 10 percent.

Export Credits

Foreign owners obtain financing through CACEX (the Bank of Brazil). The extent of financing granted depends on several factors, among which is the government's desire to increase ship exports. A down payment of 5 percent is required for 8 years financing; 10 percent for 10 years; 15 percent for 12 years; and, 20 percent for 15 years. Brazilian bank rate for vessel financing is 7 percent.

Cargo Preference/Cabotage/Bilateral Agreements

Under Decree Law 666, of July 2, 1969, all imports and exports in which the government provides financial assistance must be carried on Brazilian ships when available. However, this law provides for the waiver of cargo preference in the following instances:

1. Import or export cargoes obligatorily linked to transportation in Brazilian-flag ships can be liberated in favor of the flag of the exporting or importing country by weight up to 50 percent of the total as long as the legislation of the buying or selling country concedes at least equal treatment in relation to Brazilian-flag ships.

2. In case there is no Brazilian-flag ship or flag ship of the importing or exporting country in position to take on the cargo, the Brazilian Superintendency of Merchant Marine can, in its exclusive judgment, liberate the transportation (of the cargo) to a third flag ship specifically designated.

3. When the exportation or importation of merchandise subject to liberation is made to or from a country that is not served by ships of both the countries involved, the Brazilian Superintendency of Merchant Marine will effect prior liberation of the cargoes covered by this decree, designating the transporter.

The coastwise trade is reserved to national ships unless the public interest demands an increase of service which national vessels cannot supply. There are 16 coastal lines, of which 4 run between Brazil and Argentina.

The government has a monopoly on the transportation of petroleum and petroleum products, except for some small companies which were in operation when the monopoly law went into effect.

All imports of ordinary paper (excluding special paper and pulp) must be carried in Brazilian ships, but in trade where special arrangements are made, as in the case of the Equal Access Agreement between SUNAMAM and the U.S. Maritime Administration, the other national lines can also participate in this carriage.

According to SUNAMAM Resolution 3669 of April 24, 1970, up to 50 percent of all shipments of coffee and cocoa from Brazil to the United States may be carried in U.S. ships, with at least 50 percent in Brazilian ships. Brazil agreed to implement this on 40-40-20 basis (i.e., 40 percent Brazilian-flag ship, 40 percent U.S.-flag ships, and 20 percent third-flag ships). On June 1, 1971, this was changed to a 50-40-10 basis. On March 22, 1973, SUNAMAM Resolution 4231 cancelled this obligation concerning the East and Gulf Coasts of the United States, in view of the north-bound pools between the lines serving this trade (40-40-20 basis).

Three United States shipping lines have sailing, pooling, and equal access agreements with Brazilian shipping lines.

SUNAMAM approves only those conferences of which C.N. Lloyd Brasileiro is a member.

Since 1967 Brazil's legislation has called for the establishment of cargo quotas through pooling agreements aimed at achieving a 40 percent share for Brazilian carriers, 40 percent for national flag lines of its trading partners, and 20 percent for third flags.

Brazil has agreements with Argentina, Chile, Mexico, Peru, and Uruguay that divide the cargo carried between them on a 50/50 basis. An agreement with Algeria also divides cargo on a 50/50 basis except for petroleum and petroleum products.

A protocol to the Brazil/Federal Republic of Germany Maritime Agreement was signed on April 4, 1979. This protocol provides for participation in equal rights in regards to tonnage and freight values for governmental cargo. Cargoes in freight conferences are to be transported in accordance with the rules and percentages of those in effect at the signing of the agreement.

Maritime agreements have also been signed with the U.S.S.R., Poland, Romania, and the German Democratic Republic.

Government Ownership

The government is by far the largest stockholder of Lloyd Brasileiro, and of the Vale do Rio Doce Nabegacao S.S. (DOCENAVE) (for coal and iron ore), as well as of the national tanker fleet, Frota Nacional de Petroleiros (FRONAPE).

Other

Incentives in the form of fiscal accounting measures effective to exporters that utilize bilateral (Brazilian included) flag vessels were cancelled by legislation dated December 7, 1979.

CANADA

ECONOMIC BACKGROUND

<u>Size of Fleet</u>: 102 vessels; 1,056,000 dwt.

Freighters :	34 vessels;	155,000 dwt.
Tankers :	48 vessels;	380,000 dwt.
Bulk Carriers:	15 vessels;	518,000 dwt.
Other :	5 vessels;	4,000 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$58,183	$55,125
commodities :	transportation equipment, agricultural products, minerals	transportation equipment, machinery, fabricated metals
major trading partners:	U.S., Japan, U.K., FRG	U.S., Japan, U.K., FRG

GNP (1977) : $194,660,000,000
GNP/capita (1977): $8,350

The majority of the vessels under Canadian flag are not involved in oceangoing foreign trade, but are utilized in domestic traffic and trade with American ports on the Pacific, Gulf and Atlantic coasts, St. Lawrence Seaway and on the Great Lakes. In 1978, Canadian flag vessels carried 27.8 percent of the tonnage in Canadian international waterborne trade, including the Great Lakes; this participation amounted to 46.7 percent of inbound tonnage and 17.9 percent of outbound tonnage. Excluding trade with the United States, there is minimal Canadian flag participation in transporting international cargo tonnage.

Canada divested itself of its deep-sea fleet shortly after World War II, relying on competition amongst foreign carriers to keep freight rates at a reasonable level. Studies on the need for a Canadian-flag deep-sea fleet have been conducted. While the Government is developing its policy toward a deep-sea fleet, Canadian Seafarers Unions have signed an agreement with some Canadian ship companies to place Canadian crews on some of their vessels operating under foreign registry.

GOVERNMENT AIDS

Operating Subsidy or Aid

No operating subsidy is granted to Canadian ships engaged in foreign trade.

Subsidies are confined to a very few ships operating on the essential coastal and inland waters, designed to provide services to communities which could not be served on a commercial basis.

Any applications for subsidy must fall into one of the four following categories: services resulting from constitutional obligations, alternates to these services, services which relieve social consequences of remoteness and services providing for economic development opportunities. The last two categories also require a negotiated level of Provincial participation in the subsidy, while the last category is to be time circumscribed.

The Department of Transport extensively evaluates all requests for subsidy from both a financial and operational viewpoint before making its recommendation whether the request should or should not be approved. The same basic criteria are used by the Canadian Transport Commission in the allocation of subsidies with respect to shipments by water under the Maritime Freight Rates Assistance Act.

Construction Subsidy or Aid

A Federal Government Shipbuilding Assistance Programme which contains lower subsidies for Canadian builders was announced in the Spring of 1975 by the Industry, Trade and Commerce Minister. The Export Development Corporation (EDC), a Crown Corporation, also helps finance new export sales by Canadian shipyards. A total of $16.8 million in loans and guarantees was committed in 1979.

The 1975 shipbuilding assistance program replaces two previous programmes, including the Shipbuilding Temporary Assistance Programme, established in 1970, which provided a subsidy of 17 percent on vessels built for export. The other former programme, the ship construction subsidy regulations, provided for a 35 percent subsidy for fishing vessels and 17 percent on other commercial vessels built for Canadian owners.

Present subsidy level is 20 percent of the total construction cost.

In mid-1979 the Federal Government agreed to provide substantial funding over the next three years for important projects in the Canadian ship repair industry.

Export Credits

Export credits are available to Canadian shipyards through the Export Development Corporation. This Corporation provides two types of financial support for exports. One consists of insurance of export credit normally provided by Canadian chartered banks on terms of up to five years duration, and the other, insurance of direct loans beyond five years. The purpose of this financial support is to enable exporters of capital equipment and related services to match the credit facilities of major competitors when the terms required extend beyond those normally available from commercial sources.

Credit terms offered will not be better than 80 percent of the cost, nor exceed eight years, nor be less than 7.5 percent interest (net), except for genuine aid programs when more favorable terms might be required. These are the levels required by O.E.C.D.

Demolition and/or Modernization Subsidies

The Income Tax Act provides a tax deferral on insurance proceeds arising from the involuntary disposition of a vessel, provided these funds are reinvested in a replacement vessel.

Under a program instituted in 1976, money spent by shipbuilders on the modernization of equipment will be matched by the government up to a limit of 3 percent of the value of new construction.

Customs Duties

No customs duties are payable on ships imported into Canada to engage exclusively in international trade. Vessels constructed and registered in Commonwealth countries are free to engage in the Canadian coasting trade, with the exception of coasting trade within the Great Lakes and St. Lawrence River basin, which is restricted

to vessels registered in Canada. Vessels of Commonwealth registry which were constructed in a non-Commonwealth country entitled to Most Favoured Nation tariff treatment, may engage in the coasting trade of Canada upon payment of a duty of 25 percent of the fair market value of the vessel. Vessels of registry other than Commonwealth are not normally entitled to take part in the coasting trade. There is, however, provision for the temporary use of non-Commonwealth registered ships in the coasting trade when no suitable Canadian vessel is available. In such circumstances, the vessel is subject to the payment of 1/12th of the normal duty for each month of service in Canada.

Materials imported with a view to building ships for re-export are duty free; for ships destined to the domestic market, duty is payable at the normal rate.

Depreciation

The first user of a Canadian build ship is permitted depreciation at 33-1/3 percent per annum on a straight-line basis. All other ships are eligible for depreciation at 15 percent per annum on a diminishing balance basis.

Cargo Preference and Cabotage

Effective January 1, 1966, traffic between Canadian ports located within the Great Lakes, their connecting tributary waters and the St. Lawrence River and its tributary waters as far seaward as a straight line drawn from Cap des Rosiers to Westpoint, Anticosti Island, to the north shore of the St. Lawrence River along the meridian of longitude sixty-three degrees west (Havre St. Pierre), was restricted to Canadian registered vessels, for which duty has been fully paid.

Withdrawal from certain clauses of the British Commonwealth Merchant Shipping Agreement in 1975 freed Canada from the obligation to continue to give preference to Commonwealth built and registered vessels in the coasting trade. This Agreement was totally abandoned in 1979 by the mutual decision of the remaining members. The coasting laws of Canada are presently under review for purposes of revision.

Government Ownership

There is no government ownership of the merchant fleet, with the exception of ferry vessels which are almost exclusively directly or indirectly government owned. The B.C. Ferry Corporation, a Crown Corporation of the British Columbia Provincial Government,

owns a large number of ferries and operates an extensive ferry system on the West Coast. CN Marine a wholly owned subsidiary of the Crown Corporation, owns and operates extensive ferry and coastal shipping services on the Atlantic Coast.

All provinces own and operate various small ferries and the Federal Government owns a number of ferries which are chartered to private operators, who in all cases receive some form of subsidy.

Canarctic Shipping Limited, a Government industry consortium with 51 percent Federal Government participation, operates the M.V. "Arctic", an experimental ship that combines features of both present cargo ships and icebreakers.

Import Restrictions

A foreign-built vessel may, with the consent of the Minister of Transport, be registered in Canada without the payment of duty and taxes, but when so registered, can engage only in international trade.

Government Purchasing

Government contracts have generally been restricted to Canadian shipyards and, since 1965, have been awarded to the lowest qualified bidder (an exception was submarines built abroad).

Research Grants

All industries are entitled to receive aid under various general programmes covering 50 percent of the approved research cost.

Other

Some of the important shipyards are subsidiaries of major shipping companies, and this has an effect on the placing of orders in the domestic market.

CHILE

ECONOMIC BACKGROUND

Size of Fleet:	48 vessels;	837,000 dwt.
Freighters :	34 vessels;	369,000 dwt.
Tankers :	6 vessels;	116,000 dwt.
Bulk Carriers:	8 vessels;	352,000 dwt.
Other :	0 vessels;	0 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$3,764	$4,218
commodities :	copper, iron ore, paper and wood products	petroleum, wheat, cotton, plastics, capital goods
major trading partners:	FRG, U.S., Japan	U.S., Japan, FRG

GNP (1977) : $13,160,000,000
GNP/capita (1977): $1,250

Most of Chile's foreign trade moves by sea. Its 2,630 mile long coastline has many seaports. Approximately 38 percent of Chile's imports move through Valpariso, Chile's major port. Chile's exports, mainly copper and other minerals, move through the ports of Huasco, Tocopilla, Chanaral, and Coquimbo.

Chilean-flag vessels carried approximately 22 percent of Chile's imports and 40 percent of Chile's exports in 1970.

GOVERNMENT AIDS

Operating Subsidy or Aid

There is no direct subsidy to private shipping companies. However, the annual losses of the government-owned Empresa Maritima del Estado are covered by the treasury.

Tax Benefits

Vessels, either acquired abroad or built in Chile, are exempt from Chile's 20 percent value added tax.

Domestic shipping enterprises, under certain conditions, can revalue annually their vessels and equipment up to the value of replacement cost for such vessels and equipment without incurring tax liability on the revaluation. This enables national carriers to reduce taxable income while increasing cash flow through increased depreciation charges. The percentage of tax rebate or drawback granted to export goods when carried in ships operated by Chilean companies is calculated on the C & F value.

Cargo Preference and Cabotage

Marine transport within Chile is reserved to Chilean carriers, however, upon approval of the Ministry of Transport, carriage of lots over 5,000 metric tons may be offered for public bidding in which foreign shipowners may freely participate.

Fifty percent of Chile's foreign trade is reserved for Chilean vessels except where reciprocity by foreign countries will determine the participation of their national carriers above or below this limit.

Two United States shipping companies have pooling agreements with Compania Sudamericana de Vapores (CSAV) whereby these companies are considered as "associated" carriers and are able to compete for cargo in which they are interested on a basis comparable to that of CSAV.

Bilateral agreements provide that cargo moving between Chile and Argentina and Chile and Brazil shall be carried in equal portions by ships of the two countries when available. In each case, participation percentages can be ceded to members of the Latin America Free Trade Association (LAFTA).

A Chile/Peru agreement gives each country's ships equal rights to the other's coastal trade.

Chile signed the ALALC Convention in 1969, but the signature did not become valid until October 1977. Mexico, Colombia, Ecuador, and Paraguay are the other countries ratifying the convention. In essence, the convention reserves the carriage of cargo traded among the ratifying countries to the flag vessels of those countries.

Government Ownership

The government owns the Empresa Maritima del Estado. The company is authorized to operate in foreign trade should circumstances make it advisable, but so far it has limited its activities to domestic routes, and to a few trips abroad carrying livestock.

The government also owns about 25 to 30 percent of Compania Sudamericana de Vapores (CSAV).

Other

By Decree No. 179 of February 19, 1968, the Chilean Line receives a 20 percent advantage upon liquidation of foreign currency received from incomes in the transport of cargo and passengers to and from Chile and between foreign ports.

Port charges have been insufficient to cover costs and a subsidy from the fiscal budget is necessary to maintain port operations. Port rates are the same for all shipping and there is no discrimination in berthing.

Chilean shipping companies must insure the hulls, machinery, and equipment of their vessels with Chilean insurance companies. Expenditure, protection and indemnity or any other contingency insurance must be purchased by Chilean shipping companies from Chilean insurance companies.

COLOMBIA

ECONOMIC BACKGROUND

<u>Size of Fleet</u>:	41 vessels;	352,000 dwt.
Freighters :	35 vessels;	283,000 dwt.
Tankers :	3 vessels;	42,000 dwt.
Bulk Carriers:	0 vessels;	0 dwt.
Other :	3 vessels;	27,000 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$3,753	$4,071
Commodities :	agricultural products	transportation equipment, machinery, industrial metals and raw materials, chemicals
major trading partners:	U.S., FRG	U.S., Japan, FRG

GNP (1977) : $18,760,000,000
GNP/capita (1977): $760

Shipping is especially important to Colombia with its two coastlines and its large exports of coffee. Coffee supplies some 50-55 percent of foreign exchange earnings.

The Colombian-flag merchant fleet, Flota Mercante Grancolombiana, is an exercise in regional ownership. Colombia's National Federation of Coffee Growers controls approximately 80 percent of the ownership, with the remaining 20 percent controlled by the Development Bank of Ecuador. At one time the government of Venezuela also participated in Flota's ownership. Although there are no legal requirements in effect, imports for government or quasi-government agencies are generally carried by Flota. Close informal ties with the Colombian Government and publicity for the advantages of shipping via Flota account for the shipping line's strong position.

GOVERNMENT AIDS

Tax Benefits

According to Law 10 of 1946, Flota Mercante Grancolombiana is exempt in Colombia from income tax and from capital tax.

Cargo Preference and Cabotage

Decree No. 1208 of July, 1969, states as follows:

Article 1. - In order to effect Article 1 of Legislative Decree No. 994 of 1966, a reserve is made for Colombian-flag ships of no less than 50 percent of the general cargo of imports and exports on routes served by Colombian vessels, providing that the requirements of Article 2 of the same Legislative Decree are met.

The Colombian Government, after examining the capacity and speciality of the mentioned vessels through a study made by the Ministry of Development, the Merchant Fleet and a representative of the Colombian Shipowners, will establish a reserve of no more than 50 percent for Colombian-flag ships transporting bulk, liquid and refrigerated cargoes of imports and exports.

The reserved cargoes stipulated in this Article will be applied only if they are not in conflict with previous government obligations with regard to foreign loans.

Article 2. - The reserved cargoes could be included in the transportation treaties between Colombian shipowners and foreign maritime companies, in order to enlarge, integrate or consolidate the services and to reduce their costs.

The Latin American shipowners registered in the Latin American Association of Shipowners, could participate in the transportation of reserved cargoes under equal conditions as the Colombian ships, provided that equal treatment or its equivalent is given to Colombian ships in their respective countries.

Decree 616 of 1972 states:

"The Colombian reserve for Colombian flag vessels operates also for cargo with final destinations to Colombian free zones."

Coastal trade, which is insignificant in Colombia, is reserved to national flag carriers, in accordance with Decree No. 2349 of 1971, which states as follows:

Article 29. - The coastal trade can only be served by Colombian ships. In special circumstances the Direccion General Maritima y Portuaria may authorize this trade to non-Colombian flag vessels, chartered by Colombian ship-owners.

Other

Two United States steamship lines operate in association with Grancolombiana service routes to and from Colombia; Delta Lines covering U.S. East Coast traffic, and Lykes Brothers covering U.S. Gulf Coast traffic.

ECONOMIC BACKGROUND

<u>Size of Fleet</u>:	481 vessels;	3,084,000 dwt.
Freighters :	427 vessels;	2,511,000 dwt.
Tankers :	25 vessels;	272,000 dwt.
Bulk Carriers:	23 vessels;	285,000 dwt.
Other :	6 vessels;	17,000 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$453	$1,009
commodities :	foodstuffs	manufactured goods, machinery and transport equipment, fuels, foodstuffs
major trading partners:	U.K.	U.K., Italy

GNP (1977) : $1,180,000,000
GNP/capita (1977): $1,830

Tax Benefits

Cyprus Law Number 47 of June 25, 1963, provides that no tax shall be charged, levied or collected from the income derived by the owner of a Cypriot ship from the operation of such ship for a period of 10 years from the date of the enactment of the law, and where the owner of the ship or ships is a corporation no tax shall be levied or collected from any dividend paid to the shareholders or members of such corporation out of any profits made from the operation of the ship or ships or out of the corporation share in the profits. This law has been extended until 1983.

ECONOMIC BACKGROUND

Size of Fleet: 338 vessels; 8,468,000 dwt.

Freighters :	222 vessels;	1,721,000 dwt.
Tankers :	74 vessels;	5,631,000 dwt.
Bulk Carriers:	35 vessels;	1,106,000 dwt.
Other :	7 vessels;	10,000 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$14,614	$18,458
commodities :	meat and dairy products, industrial machinery and equipment, textiles and clothing	industrial machinery, transport equipment, petroleum, textile fibers and yarns, iron and steel products
major trading partners:	EEC, U.S.	EEC, U.S.

GNP (1977) : $46,520,000,000
GNP/capita (1977): $9,160

Almost entirely surrounded by water and possessing a coastline of some 4,600 miles, Denmark has major interest in both shipping and shipbuilding. More than 90 percent of the earnings of the Danish merchant fleet is derived from trade exclusively between non-Danish ports. In 1979 Danish vessels engaged in external trade (non-coastwise) contributed about 9.2 percent of the total foreign exchange earnings. In 1978, Danish-flag vessels carried 11.1 percent of Denmark's oceanborne foreign trade (7.7 percent of Danish imports and 25.3 percent of Danish exports).

Shipbuilding in Denmark has important links with shipping firms. Six big yards which employ about 85 percent of the total shipbuilding labor force belong to various Danish shipping firms.

GOVERNMENT AIDS

Tax Exemption

Materials imported for the building of ships are exempt from customs duties. All ships of 5 grt. or more are exempt from value added tax, whether imported or Danish built.

Ship Credit

The Ship Credit Fund of Denmark, an independent institution approved by the Ministry of Commerce, grants loans for the construction of vessels for Danish owners at Danish or EEC shipyards and for foreign owners at Danish yards. The Fund may also finance purchases by Danish owners of ships of fairly recent construction.

Loans may not exceed 50 percent of the value of the vessels unless supported by supplementary security. For ships built at Danish yards for Danish or foreign owners loans may be granted at special terms according to the OECD Understanding on Export Credit for Ships (i.e., maximum credit to 80 percent repaid in equal yearly or semi-yearly installments in a maximum of 8½ years from the date of delivery, to an effective interest rate of not less than 8 percent per annum).

As an aid to operators of small ships in the coastal service, the Danish Government, pursuant to the act of December 17, 1976, grants guarantees, up to $9.75 million per year, for the construction or conversion of freighters of 500 gross tons or under.

Deferral of interest may be granted in individual cases.

A January 1979 change to the Danish credit scheme enables Danish shipowners to obtain credits of 80 percent of the construction costs at an 8 percent interest rate over a 10 year period (after four years grace period) for orders placed at Danish yards. Danish owners also receive supplementary credit covering the difference between standard OECD credit terms and the new Danish terms when ordering from other shipyards within the European Community. However, the vessels must be ordered by the end of 1980 for delivery before the end of 1982.

Depreciation

According to Satutory Notice No. 564 of November 8, 1978, for ships whose cost exceeds $37,900, advance depreciation cannot exceed 30 percent of the cost. It may be apportioned over the years between the signing of the contract and delivery of the ships, but not more than 15 percent is chargeable to a single year (e.g., 15 percent per year for 2 years).

Export Credit Insurance

Danish export credit insurance is based on commercial insurance principles. Export credit is voluntary and no lower limit is set for such insurance. Premiums for insurance covering commercial and political risks vary between 0.27 and 0.53 percent per annum of the outstanding debt.

Cargo Preference and Cabotage

Effective July 31, 1973, any sea transport of goods from Denmark to Greenland requires a permit from the Minister of Greenland. Exempt from this requirement are Danish Government institution ships, and transport by sea of goods required for the operation of the Danish-American defense areas.

Government Ownership

Government owned and operated vessels are confined essentially to ferries serving internal routes and routes between Denmark and Sweden or Germany, and to vessels operated by the Greenland Trade Department.

Contribution to Research

Financial support amounting to about $0.5 million per annum is given by the government to institutions engaged in shipbuilding research.

Government Purchasing

In terms of value, the Danish government's share in the total Danish building of ships has varied considerably. On average for years 1976-78 it amounted to about five percent.

ECUADOR

ECONOMIC BACKGROUND

Size of Fleet:	24 vessels;	271,000 dwt.
Freighters :	12 vessels;	107,000 dwt.
Tankers :	11 vessels;	151,000 dwt.
Bulk Carriers:	0 vessels;	0 dwt.
Other :	1 vessel ;	12,000 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$1,903	$2,142
commodities :	petroleum, agricultural products	agricultural and industrial machinery, industrial raw materials, transportation and communication equipment
major trading partners:	U.S.	U.S., Japan

GNP (1977) : $6,000,000,000
GNP/capita (1977): $820

TRANSNAVE is a state commercial shipping enterprise belonging to the National Fleet with its own heritage and legal character and an autonomous administration.

Cargo Reservation

The Government of Ecuador reserves 100 percent of hydrocarbon cargoes exclusively for state companies or mixed companies in which the state has 51 percent of the participation in social capital. Also reserved for such companies, including private national shipping companies, is 50 percent of general cargo; 50 percent of refrigerated, chilled, or frozen cargo; and, 50 percent of bulk cargo, solid or liquid (excluding petroleum). The National Council of Merchant Marine and Ports is responsible for fixing the respective percentage when applying the Cargo Reservation Law to traffic which is not covered by the Law.

All imports and exports of property belonging to the state, state organizations or enterprises, public or private entities with social or public purposes as well as cargo which belongs to mixed companies in which the government owns more than 50 percent of the capital are obligated to be carried in Ecuadorian flag vessels belonging to national shipping enterprises or those vessels which the Cargo Reservation Law considers as such. Equal disposition is applied for those cargoes financed with credits granted by official foreign institutions, or other indicated institutions or organizations. Nevertheless, transport can be limited to 50 percent of the cargo in cases where it is specified in the granting of credit.

Fifty percent of the cargo can be carried in ships of the importing or exporting country if it is done in reciprocal manner.

Cabotage traffic is exclusively reserved for Ecuadorian flag vessels or vessels chartered by national shipping enterprises either private or state.

ECONOMIC BACKGROUND

Size of Fleet:	82 vessels;	585,000 dwt.
Freighters :	60 vessels;	336,000 dwt.
Tankers :	14 vessels;	201,000 dwt.
Bulk Carriers:	0 vessels;	0 dwt.
Other :	8 vessels;	48,000 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$2,349	$8,179
commodities :	textile fibers and products, crude petroleum, agricultureal produce	foodstuffs, machinery and electrical equipment, transport equipment, mineral products
major trading partners:	U.S.S.R., U.S., Italy	U.S., EEC

GNP (1977) : $12,950,000,000
GNP/capita (1977): $340

In 1974, the Egyptian-flag merchant fleet carried less than 14 percent of Egyptian overseas general cargo shipments, 6 percent of its overseas crude oil transport, and 9 percent of its coastwise oil shipments. It was hoped that by 1980 the Egyptian merchant fleet would account for 25 percent of Egyptian overseas general cargo, 15 percent of its overseas crude oil shipments, and 100 percent of its coastwise oil shipments.

The Ministry of Transport's Five-Year Plan (1976-80) calls for the construction of 65 vessels including 5 tankers and 3 passenger ships. The contract for the construction of 8 general cargo vessels has already been awarded to the Alexandria Shipyard Company.

GOVERNMENT AIDS

Cargo Preference/Bilateral Agreements

Egypt's Council of State recently issued a ruling through the Supreme Administrative Court in Cairo to the effect that in the future all seaborne shipments entering or leaving Egypt on the business of the Arab Republic of Egypt, her public institutions, organizations and their affiliates, must be arranged and supervised by the Egyptian Company for Maritime Transport or the foreign agents of this company.

Article I of Ministerial Decree 221 of 1974 requires all organizations in which the Government of Egypt has 25 percent or more interest to give priority to shippers in the following order: Egyptian Merchant Marine fleet (nationalized shipping companies), Alexandria Shipping and Navigation Company, and any other Egyptian-flag vessel.

Tax Incentives

Joint ventures in the marine transport industry are encouraged under law 43 by according such ventures tax free operation for the first 5-8 years and other fringe benefits.

Government Ownership

The government owns the Egyptian Navigation Company and the Petroleum Organization of Egypt.

The Alexandria Shipping and Navigation Company is a Pan-Arab Company with Egyptian, Jordanian, Kuwaiti, and Saudi Arabian participation.

Egypt is also involved in a joint venture with Syria and Libya. The venture is the Federal Arab Maritime Company (FAMCO).

FINLAND

ECONOMIC BACKGROUND

<u>Size of Fleet</u>: 181 vessels; 3,309,000 dwt.

Freighters :	95 vessels;	521,000 dwt.
Tankers :	40 vessels;	1,941,000 dwt.
Bulk Carriers:	38 vessels;	826,000 dwt.
Other :	8 vessels;	21,000 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$11,175	$11,336
commodities :	forest products, ships, machinery	foodstuffs, petroleum and petroleum products, transport equipment
major trading partners:	Sweden, EEC, U.S.S.R.	EEC, U.S.S.R., Sweden

GNP (1977) : $29,300,000,000
GNP/capita (1977): $6,190

Shipbuilding is one of Finland's major industries and about 90 percent of deliveries are exported. Finnish yards specialize in all types of high technology vessels such as icebreakers, roll-on/roll-off ships. LNG carriers, and luxury passenger vessels.

The majority of the Finnish merchant fleet is engaged in transporting freight to or from Finnish ports. Dry cargo ships sail mainly as freight liners or in passenger-freight traffic.

On 21 November 1978, Finland and the U.S.S.R. signed an agreement whereby Finland will deliver 26 ships worth $375 million to the Soviets. In October 1979, another agreement between Finland and the U.S.S.R. was signed. The agreement covered the period of 1981 to 1985 and places a ceiling of $2,300 million on the purchase of vessels.

Finnish-flag ships carried 48.5 percent of Finland's oceanborne trade in 1979 (52.1 percent of imports and 42.0 percent of exports).

GOVERNMENT AIDS

Operating Subsidy or Aid

There is no operating subsidy or aid.

Construction Subsidy or Aid

The State Guarantee Board may provide guarantees for the acquisition of new and less than ten years old second-hand ships. The agreed amount of guarantees may not exceed $200,000,000. The proportions of the guarantee in the case of each shipowner have been specified.

Interest Subsidy Loans

For the purpose of promoting acquisitions of vessels suited for inland and coastwise transports allocations have been made in the government budgets for the years 1979 and 1980, respectively. The ceiling for corresponding loans has been placed at $2,500,000 in 1979 and $5,000,000 in 1980.

Export Credit for Ships

As in other member countries of the Organization for Economic Cooperation and Development, the government agency, the Exports Guarantee Board, insures against political and commercial risks, and the government-controlled Finnish Export Credit Ltd., offers credit terms of up to 80 percent of the cost of the ship, repayable in 8.5 years, with a minimum interest rate of 8 percent.

The National Export Guarantee Board is also authorized to grant the heavy metal and shipbuilding industries cost guarantees covering any losses that may arise during the delivery period of a vessel because of cost escalation. These guarantees are available only for export deliveries.

Home Credit

The domestic buyer/shipowner can obtain financing for 80 percent of the cost of a vessel. The Central Bank provides 50 percent of that financing and other banks the remaining 50 percent. The rate of interest currently applied by the banks is 9.25 percent and is tied to the basic interest charged by the Central Bank. The period of credit is at least two years, but generally not more than 8 years.

Tax Benefits

Vessels which are exempt from customs duty are also exempt from the turnover tax. Also exempt from taxation are any alteration, repair, reconditioning and installation operations performed on such vessels as well as any item used for the work or mounted on the vessel in connection with the work.

The Act of Tax Allowances for the Promotion of Production and Exports of Shipbuilding and Other Metal Industries of 1956 (Amended 1970) provides that the interest revenue accrued on the basis of supplier credit granted for a period of at least twelve months is not considered taxable income in Finland. The Act has been applied to contracts concluded before the end of 1970. (That part of the interest revenue which annually exceeds 4 percent is not tax free.) In the matter of write offs, appreciation of stocks, income tax schedules, turnovers, taxation of investments and the like, no difference is made between domestic and foreign deliveries.

Construction Subsidies

In the budgets for 1978 and 1979 seventy million marks were allocated for use as a direct subsidy to cut prices according to the merits of the projects involved in the case of shipbuilding commissions placed by domestic shipowners with domestic shipbuilding companies. Of the seventy million marks, 63 million have been used for the subsidization of Finnish shipbuilding.

No such allocation has been made for the year 1980.

Customs Duty

Customs duty exemption or rebate is granted for imported materials and parts used for vessels over 10 metres long. Goods exempt from customs duty are also exempt from turnover tax.

Cargo Preference

Coastwise trade is reserved for national flag ships.

Government Ownership

The Finnish Government has a small interest in Finnlines Ltd., and owns several non-merchant type ships such as icebreakers and survey ships.

The government has the controlling interest in Valmet Oy., which is one of the country's most important producers of ships and machinery. Shipbuilding accounts for 15-20 percent, on an average, of the country's total turnover.

Contributions to Research

Government grants, based on a research contract concluded between the government and the firm or laboratory and relates to a particular research project, can amount to 50 percent of the direct costs of a project. Research and development projects related to ships received approximately 2 percent of the contributions between 1970 and 1974.

FRANCE

ECONOMIC BACKGROUND

Size of Fleet:	382 vessels;	19,694,000 dwt.
Freighters :	197 vessels;	2,157,000 dwt.
Tankers :	128 vessels;	14,754,000 dwt.
Bulk Carriers:	52 vessels;	2,762,000 dwt.
Other :	5 vessels;	22,000 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$100,692	$107,007
commodities :	machinery, transport equipment, agricultural products, iron and steel products	petroleum, machinery and equipment, iron and steel products
major trading partners:	EEC, U.S.	EEC, U.S.

GNP (1977) : $397,670,000,000
GNP/capita (1977): $7,500

The major French shipyards are in Saint-Nazaire, La Ciotat and Dunkirk. Saint-Nazaire is the most important European shipyard and is capable of handling vessels up to 560,000 dwt. tons.

In 1974, vessels of French registry carried 29.2 percent of French oceanborne imports and 22.6 percent of exports.

During 1975, French ports handled some 267.1 million tons of cargo. Marseille accounted for 97.8 million tons; Le Havre handled 72.0 million tons; Dunkirk, 29.9 million tons; Rouen, 12.8 million tons; Saint Nazaire handled 12.4 million tons and Bordeaux, 11.2 million tons.

During 1975 it was decided to put into effect the "Plan de Croissance", a general plan for the period 1976 to 1980, which aims to increase the merchant fleet to 18 million gross tons, and covers 160 vessels. The present emphasis is on expanding the container vessel and ro-ro fleet.

During 1978 the Ministry of Transport was reorganized. The Direction Generale de la Marine Marchande now has the responsibility for all maritime activities of the Ministry, including ports and maritime navigation, maritime fishing and merchant marine (naval construction and repair, seaman work statistics and retirement). However, the responsibility for inland waterways now belongs to a new Direction Generale de Transports Interieurs along with highways, land transportation and a service for economic analysis.

GOVERNMENT AIDS

Operating Subsidy or Aid

Subsidies to semi-public companies: pursuant to the conventions approved by the law of February 28, 1948, amended, subsidy is allocated annually in the budget appropriations to the "national interest" services (mail and general interest) operated by the Compagnie Generale Maritime1/ (French Line Services). The maximum allowable operating subsidy is determined periodically by additional clauses to the conventions. Payments are for services the companies have undertaken in the national interest2/ according to specifications set forth in the conventions.

In 1978, Compagnie Generale Maritime (CGM), France's largest shipping company (70 percent owned by the government), was given state aid totalling $27.7 million. The company was told in February 1979 that it had to undergo a fundemental reorganization if it was to receive further state aid.

1/ Its passenger ships are subsidized on the following routes: LeHavre-New York; LeHavre-West Indies; Marseille, Nice-Corsica, and North Africa.

2/ The services in the national interest consist of the carriage of passengers, mail, and parcels on passenger liners on specific routes that are not usually economically beneficial to the company which would not provide the service unless subsidized.

The major French companies have two types of operations: "contractual lines" and "free lines". Contractual lines are subsidized and consist of the operation of passenger ships between specific ports, e.g., LeHavre-New York. Free lines are non-subsidized and consist of the operation of cargo ships on their regular trade routes. If the profit from the "free lines" is sufficiently high (no set figure, but a complicated formula is used, which is not obtainable), then subsidy is not paid for the "contractual lines". This rarely happens. In fact, most contractual lines were suppressed between 1969 and 1972 for budgeting reasons.

In July 1979 it was announced that CGM was to receive comprehensive government assistance to ensure the line's survival after a series of heavy losses. Government subsidies were stepped up to reduce the company's debt ratio and to meet the statutory charges still outstanding from the original merger creating CGM.

Construction Subsidy or Aid

A French cabinet decision of 15 December 1976 approved the intent of anti-recession aids to shipbuilding that include a ten percent export building subsidy for France's small yards. A government decree states that only when a price difference of ten percent existed could French orders be placed abroad.

Subsidies, based on a percentage of the initial contract price, are granted shipowners that order vessels for French registry between January 1976 and December 1980. These subsidies vary according to type of vessel as follows:

- Containerships, barge carriers, and roll-on, roll-off (ro-ro) vessels 15%
- Vessels of several decks 10%
- Bulk carriers--single decks; chemical parcel carriers and dry bulk carriers; the smallest receiving the largest subsidy 2 to 8%
- Small tankers and small petroleum product carriers 3%

Direct subsidies are available for domestic and ships for export provided the five largest shipyards restructure themselves into two major groups. The subsidies are based on a percentage of cost as follows:

- Roll-on, roll-off (ro-ro) vessels and bulk carriers 25%
- Containerships and heavy-lift ships 20%
- Gas carriers 15%

Aid to small- and medium-sized yards is also tied to the restructuring of the French shipbuilding industry. Basic aid to small yards is limited to 10 percent of the contract price, with a maximum of 20 percent in exceptional cases. Large- and medium-sized yards are limited to a rate ranging from 15 to 30 percent of the contract price, depending on the type of vessel contracted for.

Interest Rate Rebates

Interest rate rebates can be granted to facilitate the financing of new ships built in France or second-hand ships, if used for coastwise trade. The purpose of these rebates is to reduce the interest charge borne by owners to a rate equivalent to the rate allowed export credits.

Inflation Insurance

The Ministry of Transport administers a program that guarantees increases in shipbuilding costs that exceed a set threshold (currently 7.3 percent).

Modernization Subsidies

Investment subsidies are available to owners on certain conditions for the modernization of cargo liners wherever built. Equipment grants are payable during the period of the Seventh Plan (1976-80) at rates varying from 2 to 15 percent of the contract price, depending on the type of ship and totalling not more than $222 million. Passenger ships and long-range tankers do not qualify for these grants.

Ship Export Credits

The private banks, supported by official institutions, grant export credits. A guarantee from COFACE is necessary for credits of more than two years.

According to an O.E.C.D. agreement, the duration of the loans cannot exceed 8½ years. The loans cannot exceed 80 percent of the cost and the rate of interest cannot be less than 8 percent, including all fees.

Tax Benefits and Custom Duties

As of July 1, 1968, all materials and equipment used in the construction, repair, reconversion and maintenance of naval, merchant and specialized types of ships (tugs, dredges and dry-docks among others) will be admitted into France free of custom duties, regardless of the flag of registry.

Since January 1, 1968, ship sales are exempt from value added tax in every case; sales to foreign owners benefit from the general exemption for exports, and sales to French owners are treated as exports.

Losses can be carried forward for five years.

Depreciation

The law of December 28, 1959, effective January 1, 1960, instituted a reducing depreciation system which replaced the previous accelerated system for a firm choosing to use this newer system.

Capital goods purchased or manufactured on or after January 1, 1960, may qualify either for a straight-line depreciation or for reducing depreciation. The depreciation rate for the reducing balance method is 31.25 percent.

The useful life of a vessel is a minimum of eight years.

The total allowance cannot be greater than that granted to any other industry or society in the amortization of whatever capital they have in their business. This has been done since the maritime industries were integrated into the law of July 12, 1965, which applied to every business in general.

Depreciation can commence nine months before delivery on amounts actually paid.

Cargo Preference and Cabotage

According to a decree of April 1931, as amended in August 1970, two-thirds of the crude oil imported for internal consumption must be carried in French ships or in ships of which the charter parties have been approved by the Ministries concerned (i.e., Ministry of Fuel and Ministry of Transport (Merchant Marine)). The French Law of 30 October 1935 specifies that fifty percent of French coal imports be carried on French-flag vessels. However, waivers are frequently granted.

French flag ships have a monopoly on coastwise traffic in metropolitan France; they also have a "de facto" monopoly on traffic between ports of the French Departmens of La Guyane, La Guadeloupe and La Martinique, and between ports of the same overseas departments. Traffic between ports of metropolitan France and Tunisian ports is reserved jointly to French and Tunisian-flag ships; it is the same for traffic between metropolitan France and Algerian ports according to recent agreements. Traffic between France and the so-called ex-French territories is not reserved to French-flag ships.

France and Morocco reached an agreement on 5 November 1979 to split maritime traffic either 40-40-20 or 50-50 on a case by case basis.

The government has statutory authority to restrict the freedom of French shipowners to charter their own and/or foreign ships. These laws require that the chartering of all ships over 500 gross tons be reported to the government, and the government may offer opposition to the chartering only on grounds of national interest.

There is a practice, dating from 1610, of the use of a "Courtier Maritime" (maritime broker).3/

France has signed an agreement with the Ivory Coast dividing bilateral cargo on a 40-40-20 basis.

3/ The "Courtier Maritime" is an officer of the government, appointed by due process of law and as such he is entrusted the duty of performing the necessary formalities (maritime) required by French customs. His fee is set by the government based on a pre-calculated scale. But over and above his official duties he may, upon request, be authorized to act as an independent agent in the commercial maritime brokerage business for which he may charge a fee or percentage based on tonnage loaded or unloaded as would any other broker or forwarder professionally engaged in this field.

The intervention of the "Courtier Maritime" (Maritime Broker) is not obligatory. The owner and/or captain of the foreign vessel, if either speaks and reads French, or the consignee/forwarder may and can attend to all customs formalities. It is only when they do not themselves attend to such matters that, for their own protection mainly, they must utilize the services of French accredited brokers. This service is officially recognized by the French Government and must meet and conform to government standards and requirements.

Government Ownership

The government owns the principal shares in the largest shipping company[4/], the Compagnie Generale Maritime (French Line Services), a company formed by the consolidation of the Compagnie Generale Transatlantique and the Compagnie des Messageries Maritimes.

In 1969 the French Line and the Compagnie de Navigation Mixte pooled their activities in the Mediterranean and formed a new shipping line, the Compagnie General Transmediterraneenne.

A decree of February 26, 1974, approved the creation of a partly (17 percent) state-owned company, Societe Francaise d'Etudes et de Realisations Maritimes, Portuaires et Navales, in order to promote and to spread abroad French methods and techniques in the fields of sea transport, shipbuilding, ship repairing and port industries.

Reimbursement of part-cost pursuant to Article 79

The government decided in 1966 to reimburse shipowners of part-cost incurred pursuant to Article 79, Title "Accidents and Illness Occurring on Board or in Course of Embarking." These costs are peculiar to French shipowners, and they constitute one of the elements of their handicap with regard to foreign shipowners. The decision to reimburse part of these costs has the same motivation as the decision concerning the allowance for compensatory subsidies.

4/ Frequently a profit is realized from the cargo service (free lines), but the profit is often offset by losses in the passenger service (contractual lines). If the company does not make an overall profit, the government makes up any loss sustained, with a sufficient amount over to pay a small dividend to the public stockholders.

The government's interest in owning so large a part of this company is consistent with French policy of a certain amount of state control in those industries which are in national interest; e.g., shipping, railroads, electricity, gas, and coal.

Shipyard Reorganization and Conversion Assistance

The aid instituted for shipbuilding is designed to encourage the conversion of shipyards and the diversification of their activities. Internal diversification is oriented toward lines of production assumed to involve less disruption of the market (offshore rigs, floating factories, etc.).

Furthermore, the special fund for industrial adoption set up in September 1978 can be used for financing up to 50 percent of the investment involved in the setting up of new firms in areas affected by unemployment.

GABON

ECONOMIC BACKGROUND

Size of Fleet:		1 vessel;	138 dwt.
Freighters	:	0 vessels;	0 dwt.
Tankers	:	0 vessels;	0 dwt.
Bulk Carriers	:	0 vessels;	0 dwt.
Other	:	1 vessel;	138 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$1,817	$555
commodities :	petroleum, minerals	mining and roadbuilding machinery, electrical equipment
major trading partners:	France, U.S.	France

GNP (1977) : $1,700,000,000
GNP/capita (1977): $3,100

Gabon has developed two major port systems: Owendo and Port Gentil. The port at Libreville has been relegated to handling the tourist trade.

Cargo Preference

A government decree signed on 7 September 1978 confirms the division of cargo using UNCTAD's 40:40:20 formula, with the qualification that government and quasi-government cargo be expressly reserved for Gabonese-flag vessels.

Government Ownership

SONATRAM (Societe Nationale des Transports Maritime) is the state-owned shipping line.

GERMANY, FEDERAL REPUBLIC OF

ECONOMIC BACKGROUND

Size of Fleet:	590 vessels;	14,281,000 dwt.
Freighters :	443 vessels;	4,202,000 dwt.
Tankers :	81 vessels;	6,497,000 dwt.
Bulk Carriers:	63 vessels;	3,573,000 dwt.
Other :	3 vessels;	9,000 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$171,878	$159,696
commodities :	manufactures, machine tools, transportation equipment, iron and steel products	manufactures, fuels, raw materials, agricultural products
major trading partners:	EEC, U.S.	EEC, U.S.

GNP (1977) : $529,380,000,000
GNP/capita (1977): $8,620

The West German merchant fleet is eleventh in size of the world's fleets. It is an overwhelmingly modern fleet with 86 percent of the registered tonnage less than 10 years old.

West German ports are being enlarged and new container terminals are being built at Hamburg and Bremen. The Ports of Bremen and Bremerhaven handled 3,842,750 tons1/ of containerized cargo in 1976, and Hamburg handled 4,296,757 tons2/ of containerized cargo.

1/ Weight of container not included
2/ Weight of container not included

More than half of West Germany's oceanborne foreign commerce (which is about 54 percent of the total foreign commerce) goes through the ports of neighboring countries (ports at the mouth of the Rhine River and on the Mediterranean Sea). Approximately 17 percent of the oceanborne foreign trade being shipped through ports of the Federal Republic of Germany (including transit) is carried on German flag vessels.

GOVERNMENT AID

Construction Subsidies

Under the "Principles for Promotion of the German Merchant Marine" (German Federal Register No. 94, May 20, 1965) ship construction loans and ship construction subsidies may be granted to German owners ordering ships from German or foreign shipyards. At present only ship construction subsidies will be granted.

Grants may amount to a maximum of 12.5 percent of the cost of the vessel to be built. The aggregate subsidies may not surpass a maximum amount as allocated by the government each year. In the 1980 budget the maximum amount totalled DM 175 million.

The ships subsidized by funds out of the Federal Budget must be operated in international traffic, have to be in the German registry and have to fly the German flag. Subsidies are to be repaid to the Government in full, if the ship is sold within four years of being delivered with partial repayment required if sold in the following four years.

The subsidies, which are granted by the Ministry of Transport, are primarily oriented toward the goal of modernizing the fleet in order to increase its competitiveness in international shipping. In the second place, those subsidies are meant to ease the employment situation in German shipyards.

Loans for Shipowners

In 1979, 1980, and 1981 interest free loans may be granted to German shipowners. The loans, called "Financial Contributions" have a double function: (1) to reduce the owner's interest burden by up to 2.5 percentage points to a minimum of 4 percent, and (2) to contribute towards financing future newbuildings. In the latter case the granted loans will not have to be repaid in whole or partly.

Credit Guarantees

The Coastal States of Hamburg, Bremen, Niedersachsen (Lower Saxony) and Schleswig-Holstein accord, to a limited extent, guarantees for credits for the purchase of new commercial ships built in local yards, when such credits cannot be covered by usual ship mortgages. Those credit guarantees are available to German nationals and, according to arrangements between the Coastal States, they are also available to other nationals, at least to those of the OECD and EC countries.

Export Credit Facilities

In order to reduce the cost of credits for ships the Government of the Federal Republic of Germany has made available loans and interest subsidies for shipyards since 1961 to bring credit terms of ship financing closer to the internationally prevailing level.

Assistance will be given in accordance with the Understanding on Export Credits for Ships in the most recent valid version (from December 1, 1979, onwards: minimum interest rate 8 percent; minimum downpayment 20 percent, maximum maturity 8½ years). According to the 4th Directive of the EEC on Aid to Shipbuilding these conditions are applicable even to orders from domestic shipowners. At present the 8th Shipbuilding Assistance Programme for deliveries in the period 1976-83 is in force.

The reduction of the interest rate applies solely to that portion of the purchasing price for which payment is deferred. The amount of the reduction of interest is dependent on the current interest rates of the capital market; it must not exceed 2 percentage points.

Export Credit Insurance

Insurance of export credits is not compulsory, but can be obtained to cover up to 90 percent of the political and economic risks of such credits. In the case of ship exports, the normal maximum credit duration of five years can be exceeded in accordance with the OECD Understanding on Export Credit for Ships.

Depreciation

The depreciation of ships is based on a regular useful life of 14 years for dry cargo ships, and of 12 years for tankers, reefers, special container ships, and LASH ships. The ships may be written off in unchanging amounts (straight-line method) or in annually decreasing amounts (degressive method). In the latter case, the percentage of the ship's value used to calculate depreciation must not amount to more than the double percentage applicable in using the straight-line method (for ships delivered after August 31, 1977, 250 percent). Depreciation must neither exceed the acquisition value nor go below the scrap value of the vessel ($20 per GRT).

A special depreciation allowance may be called upon by German owners for new vessels, either built on demand or purchased from stock. The special depreciation allowance may be used in the first five years of the vessel's life, including the year of construction or purchase, and the cumulative amount of special depreciation was originally up to 30 percent of the acquisition costs. This special deprectiation is accorded in addition to the ordinary depreciation and may only be used if the ship is being depreciated according to the straight-line method.

The special depreciation percentage was raised from 30 percent of the vessel's purchase price (1971-1974) to 40 percent for vessels constructed or purchased from 1975 to 1983. After five years of the vessel's life, the remaining value is depreciated in a straight-line over the rest of the vessel's useful life. Vessels for which this special depreciation is called upon may not be sold within eight years of construction or purchase.

The special depreciation on ships ordered in or after 1971 may only generate an accounting loss for the owner if not less than 30 percent of the ship's construction costs have been financed from the owner's capital funds. If this requirement is met, special depreciation is admissible, but any accounting losses resulting therefrom must not exceed 15 percent of the value of the vessel. This regulation is not applicable to ships of less than 1,600 gross tons (except tankers, seagoing tugs and special prospecting vessels). Within these rules, anticipated depreciation of up to 40 percent on down payments and progress payments for ships under construction has been permitted since 1975 (30 percent in earlier years). Special depreciation allowances called upon after delivery will be reduced by the amount of any anticipated depreciation on advance payments.

The tax advantages will be replaced by smaller depreciations in later years.

The above mentioned provisions allow the Government to pursue a flexible investment policy.

Other Tax Benefits

Usually, any tax paid abroad is deductible from domestic tax. However, shipping companies may, at their discretion, have 80 percent of the revenues from the operation of their vessels employed in international traffic taxed at half the ordinary rate, and the remaining 20 percent at the full ordinary rate. In this case, the merchant ships have to be in the German registry and must fly the German flag.

Capital gains from the sale of vessels may be deposited in a special fund that permits the taxpayer to defer for two years the tax liability on these gains. The money thus set aside may be used toward either a new construction or a major conversion within those two years. In either case, no tax will be payable on the capital gains; however, the new ship's accounting value

must be reduced by the amount used out of the special fund. If a vessel has been ordered in good time, but is still under construction at the end of the two-year period, the tax deferral period is extended to four years. It is noteworthy that these regulations are only applicable when the vessel sold has been owned by the seller for not less than six years.

Capital gains will be taxed if they have not been used for the above purpose during said period.

A five year carry-forward provision for shipping losses allows for the cyclical nature of the shipping business. This particular provision is, among other things, intended to encourage owners to invest in shipping in spite of the undeniable risks connected with such a business that so much depends on the general economic climate.

A "carry-back of losses" scheme was introduced on April 21, 1976. The carry-back is limited to one year and to a maximum of DM 5 million.

In contrast to most other shipping countries, German owners are liable to pay a so-called "industrial tax" (Gewerbesteuer). However, one benefit is available to them, viz.: the "trading income" (i.e., net profits plus paid interests on loans) from the operation of ships used in international traffic and the "trading capital" (i.e., own capital plus loans) involved in ships operated in international traffic will be taxed at only half the ordinary rate.

All new seagoing ships are exempt from Value Added Tax.

Customs Duties

Material imported for the building of ocean-going ships is free of customs duty, irrespective of whether the ship is exported or built for a domestic owner.

Cabotage

Foreign ships are allowed in the coastal trade only if no German ship is available, or available at substantially less favorable rates and conditions than foreign ships.

Measures Against Detrimental Shipping Policies of Foreign Countries

The government can restrict the conclusion of freight contracts and charters between residents of the Federal Republic of Germany and carriers which are residents of countries which exclude German ships from free competition. As regards freight contracts in liner

services (general cargo with freight exceeding $400), all such contracts to be concluded with carriers which are residents of Burma, Indonesia, Uruguay, and Venezuela must be licensed by the Wasser- and Schifffahrtsdirektionen, Bremen or Hamburg offices, which are acting on behalf of the Federal Republic of Germany.

The conclusion of freight contracts and charters between German-flag vessels and residents of the East Bloc countries (including Cuba) can also be restricted.

Agreements between resident and non-resident shipping companies require approval as far as these agreements contain provisions on the sharing of cargoes and freight moneys.

Cargo Preference

The Federal Republic of Germany has signed an agreement with the Ivory Coast on a 40:40:20 basis as provided for in the Ivorian legislation. The agreement restricts sharing to liner trade and is designed to reestablish equitable conditions.

A supplementary protocol to the Maritime Agreement between Brazil and the Federal Republic of Germany provides for participation on equal rights regarding freight values and tonnage for governmental cargoes of national-flag carriers.

Port Expansion

Credits are granted to port operators to enlarge facilities. Interest is currently at 8 percent; repayment period is 10-12 years.

Public Ownership

Ownership of the shares of one big shipyard is distributed as follows: 75 percent held by a State-owned steel mill having the form of a joint stock company; 25 percent by State Schleswig-Holstein.

State Bremen owns 39 percent of the shares of a medium-sized shipyard.

Both yards are managed as private enterprises. They account for slightly less than 20 percent of total capacity of German Yards in merchant shipbuilding.

Contributions to Research

Contributions of the government to research projects of shipyards and institutes amounted to DM 5.1 million in 1977 and DM 8.0 million in 1978.

GHANA

ECONOMIC BACKGROUND

Size of Fleet:	23 vessels;	186,000 dwt.
Freighters :	23 vessels;	186,000 dwt.
Tankers :	0 vessels;	0 dwt.
Bulk Carriers:	0 vessels;	0 dwt.
Other :	0 vessels;	0 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$1,201	$1,299
commodities :	wood, gold, diamonds, manganese, bauxite and aluminum	textiles, manufactured goods, food, fuels, transport equipment
major trading partners:	U.S., U.K., U.S.S.R.	Nigeria, U.K., Germany

GNP (1977) : $3,940,000,000
GNP/capita (1977): $370

When Ghana achieved its independence in 1957 its only shipping company, the Black Star Line, was formed with 60 percent government ownership and 40 percent participation by the Zim Israel Navigation Company. Black Star Line became fully Ghanaian owned in 1967 when the Government of Ghana acquired all the Zim shares.

GOVERNMENT AIDS

Cargo Preference

Most cargoes ordered by the Ghana Supply Commission, the government's purchasing organization, are handled by the Black Star Line as shipping agents. However, cargo is moved by the first available conference vessel.

Government Ownership

The Black Star Line is wholly government-owned.

GREECE

ECONOMIC BACKGROUND

Size of Fleet:	2,690 vessels;	57,066,000 dwt.
Freighters :	1,484 vessels;	13,993,000 dwt.
Tankers :	364 vessels;	19,689,000 dwt.
Bulk Carriers:	784 vessels;	23,161,000 dwt.
Other :	58 vessels;	223,000 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$3,877	$9,698
commodities :	agricultural products	machinery, automotive equipment, petroleum and petroleum products, manufactured consumer goods
major trading partners:	EEC, U.S.	EEC, U.S.

GNP (1977) : $27,200,000,000
GNP/capita (1977): $2,950

The Greek-owned merchant fleet, as opposed to the Greek-flag fleet, is possibly the largest merchant fleet in the world. The Government of Greece has been making efforts to attract Greek-owned vessels to Greek registry, and there are indications that these efforts are meeting with success. In 1978, the Greek-owned fleet represented 12.5 percent of world gross tonnage, but a high average age adversely affects their competitiveness.

Hellenic shipyards at Scaramanga is Greece's largest heavy industrial unit and can handle vessels as large as 250,000 tons. Plans are in the works to expand Hellenic's capabilities to vessels of 300,000 tons.

As of 1 January 1979, the total Greek-owned merchant fleet consisted of 4,887 vessels having a total gross registered tonnage of 52,497,651. In 1977 orders were placed by Greek owners for 197 new buildings totalling 4,356,510 dwt. and in 1978 for 64 new buildings totalling 1,702,270 dwt.

There are three other major shipyards in Greece: Elefsis shipyards near Scaramanga; the Neorion yards on Syros; and, the Carras yard on Euboea. With only vessels for the Navy on the order books, Greek shipyards are attempting to obtain more ship repair orders.

In 1971 Greek-flag ships carried approximately 48.2 percent of Greece's oceanborne foreign trade (50.2 percent of imports and 41.8 percent of exports).

During 1977 earnings from shipping ($1,126 million) accounted for 31 percent of Greece's invisible receipts.

GOVERNMENT AIDS

Tax Benefits

In order to attract foreign economic interests, including shipping companies which may or may not be controlled by Greek interests, for the purpose of establishing regional or home offices in Greece, the Greek Government has issued Law 378-68. A pertinent paragraph of this law states:

> "Any and all types of foreign-flag ships being managed by an agency operated or represented in any manner or form by foreign enterprises established in Greece under the provisions of Law 89/1967 and of the present law, regardless of the form of business organization under which such enterprises may be operating, shall be exempted from the payment of taxes on income, as well as from the payment of any and all charges, taxes, import duties, dues or fees, currently being levied or that might be imposed in the future with respect to income derived from business operations performed through or by such enterprises."
>
> "Shipowners or persons operating such vessels in any manner whatsoever through or by such enterprises, shall likewise be entitled to the same tax exemptions."

The Greek Government has introduced tax relief measures to shipping through Emergency Law No. 465 "Amending and Supplementing Certain Provisions of the Law 1880/1951 concerning Taxation of Ships."

Law No. 465 was published July 9, 1968, became effective from January 1, 1968, and its provisions are applicable to Greek-flag "First Category" ships; that is dry cargo vessels, tankers and refrigerator ships of a total gross tonnage of 3,000 tons and over. On April 17, 1970, Legislative Decree No. 509 was enacted, extending the tax incentives of Law No. 465 to Greek-flag ocean liners and cruise ships as well as to the so-called Mediterranean cargo ships whose tonnage ranges from 500 to 3,000 gross tons. Legislation governing taxation of ships of all types was codified

under Royal Decree No. 800 of December 1, 1970. Basic taxation under this Royal Decree remains in effect. Law 27/75 which went into effect on April 22, 1975, revised some of the provisions of Royal Decree No. 800.

The basic provisions of Royal Decree No. 800 and Law 27/75 are applicable only to Greek-flag vessels owned by companies controlled by Greek interests. The law provides for two categories of vessels. Vessels of over 500 gross tons come under the "First Category" whereas all others (engine propelled vessels, sailing boats and other small sea-craft) are classified as "Second Category" vessels. The "First Category" comprises: (a) engine propelled cargo ships, tankers, and refrigerator vessels of 3,000 gross tons and over; (b) steel-built cargo ships for dry and liquid cargo as well as refrigerator ships of over 500 gross tons but not over 3,000 gross tons extending their voyages to foreign ports or navigating between foreign ports; (c) passenger ships extending their voyages to foreign ports or navigating between foreign ports; (d) passenger ships of over 500 gross tons which have exclusively carried out during the previous year, for a period of at least six months, regular pleasure cruises between domestic ports or domestic and foreign ports or foreign ports only, following public announcement of these cruises (tourist vessels); and (e) floating drilling rigs of over 5,000 tons displacement, floating oil refineries, and storage barges of over 5,000 grt. built or converted for use in research, as offshore drilling rigs, offshore pumping, refining and storage of oil or natural gas.

Vessels rated over 1,500 grt. and operated under the Greek-flag are exempt from Greek inheritance taxes.

Transactions involving the sale of a vessel or part thereof, coming under the provisions of Laws No. 465/1968 and No. 509/1970, are exempted from transfer tax, stamp tax and third part taxes.

According to Article 23 of the Greek Constitution of 1968, there can be no amendment of Law No. 465/1968 but for the sole purpose of further expanding the protection accorded under its provisions. Article 107 of the new Greek constitution which became effective on June 11, 1975, extends constitutional protection to Articles 1-11 of Law 27-75 providing for the taxation of first category vessels.

Law 814 "Supplementing and Amending Tax and Certain Other Related Provisions" became effective on September 13, 1978. Among the provisions are the following:

(a) Ships built and registered in Greece after April 1975 are exempt from the basic tax for six years.

(b) Ships built and registered in Greece before April 1975 are exempt from the basic tax until they are 12 years old and the special tax until they are 6 years old.

(c) Ships less than 10 years old that were registered under the Greek flag before April 1975 are exempt from the basic tax until they are 10 years old.

(d) Ships less than 30 years old that were registered under the Greek flag before April 1975 are exempt from the basic tax over a period of 5 years from the date of registration and for the duration of their service on regular routes between Greek and foreign ports or between foreign ports for the 5 year period.

(e) Ships serving regular routes between Greek and foreign ports or between foreign ports, and cruise ships are subject to 50 percent of the basic and special taxes.

(f) Ships less than 20 years old which have been reconstructed, converted, repaired, or fitted with new propulsion systems or other equipment in Greece are exempt from the basic and special taxes provided the cost of the work has been met through imports of foreign exchange. Such exemption is accorded at the rate of one year for each $100,000 spent on the work to a maximum of six years and 50 percent of the cost of the work if the vessel is registered under the Greek flag after April 1975. If vessel was registered before April 1975, it is exempt from the basic tax for a maximum of 10 years and from the special tax for a maximum of 6 years, but total exemptions cannot exceed 50 percent of the cost of the work.

(g) Ships that are laid up for more than 2 full months per year on account of repairs, lack of business, or other reasons are exempt from the basic and special taxes for the period during which they are laid up.

Any vessel qualifying for one or more of the preceding exemptions or reduction is entitled to only one such exemption or reduction which will apply as long as the ship remains under the Greek flag.

These basic tax exemptions and reductions accorded to ships registered under the Greek flag after April 1975 apply only to those vessels which are registered under the Greek flag for the first time.

Loans and Interest on Loans

Shipbuilding loans extended to shipowners by any Greek commercial bank, the Hellenic Industrial Development Bank or any foreign bank legally established in Greece, may qualify for the Greek Government guarantee. The orders involved may be for ships of any size or type. Loans may be for as much as 80 percent of the construction cost of Greek-flag ships built in Greek yards, at an annual interest rate of 7.5 percent.

The Bank of Greece is prepared to subsidize the difference between the 7.5 percent and whatever rate lending banks may themselves have to pay on the foreign currency in which such loans must be made and repaid, and will also guarantee a 2 percent profit spread on the transaction.

Loans intended for ship conversions are repayable in 7 years at a maximum rate of interest of 7.5 percent per annum. Loans intended for building Mediterranean cargo ships (of up to 3,000 gross tons), repayable in 12-1/2 years (in equal semi-annual installments), with a grace period of 2-1/2 years, at a maximum rate of interest of 7.8 percent per annum. Loans for ship repairs may be 80 percent financed at a current interest rate of 9.5 percent per annum.

Financing of foreign shipping companies, in which foreign nationals have majority control, for the purpose of building ships in Greek shipyards (irrespective of whether or not such ships will be registered under Greek flag) is contingent upon the approval of the Currency Committee.

Greek and alien individuals and companies may obtain loans of up to 50 percent of the first $300,000 of a repair contract, and 70 percent of amounts over $300,000. Repayment is to be made in three 6-monthly installments for loans of up to $150,000 and four installments for loans above that amount, at 10.5 percent interest.

Credit Facilities for the Purchase of Ships

1. Purchase of Foreign-Flag Ships

To promote the modernization of Greece's merchant fleet, the Greek Government has authorized local banks to issue letters of guarantee covering up to 50 percent of the total value of vessels flying foreign flags which are bought in order to be subsequently registered under the Greek flag. The balance of the cost of these vessels must be provided by the purchaser himself in foreign exchange. Credits to be extended to purchasers on the basis of the bank letters of guarantee mentioned above should be repayable in no less than 4 years in equal annual or semi-annual installments. Vessels to be purchased under the foregoing scheme must be less than 12 years old.

In cases where the purchase of coastwise cargo ships, and coastwise passenger vessels (including passenger/ferry boat ships) flying foreign flags is involved, a scheme similar to the one outlined in the previous paragraph is applicable. Under the scheme, bank letters of guarantee may cover up to 80 percent of the total value of ships purchased, provided, however, that the total value of each vessel shall not exceed $1,000,000 and its age shall be less than 8 years. Issuance of bank letters of guarantee for the purchase of ships whose value is in excess of $1,000,000 shall be contingent upon special approval of the Currency Committee.

To qualify for the benefits extended under the above schemes, prospective purchasers of foreign-flag vessels should undertake a commitment to register such vessels under the Greek flag.

2. Purchase of Greek-flag Ships

Local banks are authorized to extend loans for the purchase of ships flying the Greek flag provided that (a) the vessel to be purchased must be less than 15 years old; and (b) the amount of the loan must not exceed 50 percent of the value of the vessel or the maximum of $100,000 for each vessel. Loans are repayable in three years (five equal semi-annual installments) with a grace period of one year.

Loans intended to finance purchases of ships in general (Greek-flag or foreign-flag) bear a maximum interest rate of 14 percent per annum.

Loans for Working Capital

Local banks are authorized to extend short-term drachma loans to shipping companies, shipping agents, and Greek shipowning companies established in Greece. Under this scheme the following loans are granted: (a) up to $16,667 per ocean going vessel calling at Greek ports, for covering revictualling and other expenses, and (b) up to $6,667 per Greek-owned vessel operating on foreign runs, for compensating discharged seamen, making advance payments to families of crew members, and meeting transportation and other expenses of crews sent abroad to man ships. The foregoing loans are repayable in foreign exchange within 60 days.

Local banks are also authorized to discount, without supporting vouchers, 90-day promissory notes or bills of exchange involving a total amount of up to $8,333 per shipping company managing vessels under the Greek flag.

Furthermore, Greek shipowning enterprises are entitled to short-term drachma loans (three-month loans repayable in foreign exchange) amounting to a maximum of 50 percent (in the case of Mediterranean cargo ships - up to 70 percent) of total freight charges receivable within a three-month period under charter and time charter contracts involving Greek-flag ships.

All the foregoing short-term loans bear a maximum interest rate of 13 percent per annum.

Cargo Preference, Cabotage, and Bilateralism

Coastal trade is reserved to Greek-flag ships.

Greece has signed shipping agreements with the U.S.S.R., Poland, and the People's Republic of China which provide for the development of bilateral relations.

An agreement has also been signed with Syria that calls for cooperation in trade, shipping, shipbuilding, and other fields.

Government Ownership

The National Bank of Greece and the Hellenic Industrial Bank, both of which are state-owned, own 85 percent of Neorion shipyard on the Aegean island of Syros.

Training

Requirements of the Greek-owned merchant fleet for skilled labor are met through courses offered at 12 merchant marine training schools which are supported in part by the Ministry of Merchant Marine and in part by the shipowners. These schools come under the Ministry of Merchant Marine and provide training for masters, engineers, and radio operators. In January 1980, the president of the Union of Greek Shipowners announced the Union was quadrupling (to $13.5 million) its annual contribution towards the operating cost of the merchant marine officers schools in Greece.

Other

Greek seamen and workers abroad are permitted to open deposits in convertible foreign currencies with the Greek commercial banks, the Agricultural Bank, the National Mortgage Bank, and the Postal Savings Bank. The interest rates on such deposits are as follows: savings deposits 6.25 percent; time deposits 6.75-8.00 percent depending on the duration of the deposit; and sight deposits 3 percent. These deposits, including accrued interest, are considered as convertible currencies and not as deposits in local currency. The convertibility of such deposits is valid for the entire time of the depositor's stay abroad. As regards seamen, this privilege is extended for a further 3-year period from the date of retirement, while for workers, for 3 years after final repatriation.

This measure, which offers higher yield than corresponding deposits in local currency (savings deposits 5 percent; time deposits 5.75-7.00 percent and sight deposits 0.75 percent) was adopted in order to attract part of the large deposits of Greek workers and seamen abroad.

On the basis of legislation recently introduced (Article 3, Legislative Decree 1084/1971), persons of Greek descent who have established permanent residence abroad, Greeks employed abroad, and seamen serving on board oceangoing vessels are exempt from payment of transfer tax (which in other cases ranges from 11 to 13 percent) on the purchase of real property in Greece made through the importation of foreign exchange. More specifically, persons of Greek descent that have resided abroad for at least five years are entitled to the above exemption provided they purchase real property in Greece within a period of five years, at the latest, from their return from abroad. Greeks employed abroad as workers or employees should have completed at least three years of work abroad and receive their wages or salaries in foreign exchange to qualify for the above exemption. Greek seamen employed on board Greek or foreign flag vessels for at least three years and receiving their pay in foreign exchange are also eligible for this tax exemption.

ECONOMIC BACKGROUND

<u>Size of Fleet</u>:	363 vessels;	9,029,000 dwt.
Freighters :	220 vessels;	2,583,000 dwt.
Tankers :	31 vessels;	2,020,000 dwt.
Bulk Carriers:	104 vessels;	4,382,000 dwt.
Other :	8 vessels;	45,000 dwt.

Foreign Trade: (1979)

		exports	imports
value (million US$)	:	$8,514	$11,651
commodities	:	engineering goods, textiles and clothing, tea	machinery, transport equipment, petroleum, fertilizers
major trading partners	:	U.S., EEC	U.S., EEC

GNP (1977) : $100,180,000,000
GNP/capita (1977): $160

India has made great strides in recent years in port development and in shipbuilding and ship operations. In addition to the large Hindustan Shipyard, the newer yard being completed at Cochin will have facilities for building ships of up to 85,000 dwt. tons. Current plans are for the fleet to double over the next five years adding about 9 million dwt. to its capacity, and it is the government's policy that in the future 100 percent of oil imports should be carried in Indian bottoms as compared to the present 70 percent.

A container berth has been constructed in the Haldia Dock Complex and it is expected to be in operation in 1979. Container handling facilities are available at Bombay and Cochin and are planned for Madras. Heavy lift facilities are also planned for Visakhapatnam and Paradip.

To handle export of iron ore, facilities, with a rated capacity of 8,000 tons per hour, have been provided at Haldia Dock Complex, Visakhapatnam Outer Harbour and Madras Outer Harbour and are likely to be available in Mormugao shortly. Oil berths are in operation at Calcutta, Bombay, Madras, Cochin, Visakhapatnam, Mormugao, and Tuticorin.

In order to qualify for Indian registry, ship owning companies have to be registered in India under national laws and regulations and must be at least 60 percent owned by Indian citizens.

Indian-flag vessels carry about 32 percent of general cargo exports and 52 percent of general cargo imports. Indian-flag lines have about a 40 percent share of total trade.

GOVERNMENT AIDS

Operating Subsidy or Aid

No operating subsidies are given by the government to the shipping companies. The Shipping Corporation of India which is wholly owned by the Government of India has its entire share-capital of $31.3 million subscribed by the government.

Construction Subsidy or Aid

The government owns the Hindustan Shipyard at Visakhapatnam, and the Cochin Shipyard. Subsidy is paid directly to the yard and varies according to the cost of construction of a ship. Until March 31, 1976, it was 5 percent of the international price of the ships which is fixed at the average of the valuation received from reliable foreign ship valuers in 3 or 4 leading shipbuilding countries. This assistance by the government to the shipyard will be reduced at the rate of 1 percent every 2 years.

Shipbuilding is also assisted to the extent of actual price differential between the indigenous price and the lowest international price of six vital items of machinery, subject to a ceiling of 10 percent of the international price. This pricing policy is at present under review by the Government.

Loans and Interest on Loans

The shipping companies, both government and privately owned, obtain loans from the government and from the Shipping Development Fund for the purchase of ships at a concessional rate of interest of 4.5 percent which is below the prevailing market rates. These loans, granted both for newbuildings and secondhand ships, are in

rupees. The amount of the loan is up to 95 percent of the price of new ships built in Indian shipyards, and up to 90 percent and 75 percent respectively for new ships built abroad and for second-hand ships from abroad.

The Indian Government has earmarked a sum equivalent to Rs. 500 crores ($605,327,000) in foreign exchange for financing the acquisition of ships from abroad. The amount is disbursed as loans to the shipping companies and is repayable in rupees over a 12 year period at an interest of 7½ percent per annum.

Financial assistance of approximately $118 million was sanctioned for 10 Indian shipping companies. The assistance offered included a moratorium on the repayment of loans from the Shipping Development Fund Committee, soft term loans, and additional rupee loans against past expenditures.

Depreciation

Following the withdrawal of the development rebate, a tax concession measure for 4 percent of the price of a vessel with effect from January 1, 1977, a scheme of initial depreciation has been introduced which provides for the application of different rates and periods of depreciation for different classes of ships.

Cargo Preference, Cabotage, and Bilateralism

India has agreements with Bulgaria, the Soviet Union, Poland, German Democratic Republic, and the United Arab Republic to utilize on an equal basis the shipping of either party in the carriage of mutual trade. The agreements provide for the carriage of the bilateral trade on the basis of parity in tonnage and earnings.

India has signed a bilateral shipping agreement with Czechoslovakia that divides cargo on a 40:40:20 basis, with the 20 percent share going to Polish and Yugoslav vessels.

A shipping agreement between India and Hungary was designed to ease the transport of goods by sea to the ports of each country.

Coastwise trade is reserved to Indian flag ships. Arrangements have been made for carriage of petroleum products around the coast by Indian flag ships.

Shipments for government account are mainly carried on national flag ships. The Ministry of Shipping and Transport has requested other ministries to book exports on a C & F basis and imports on an F.O.B basis.

Government Ownership

The two government-owned shipping lines in India, the Shipping Corporation of India (SCI) with 137 ships and the Mogul Line Ltd., having 17 vessels account for 54 percent of Indian tonnage ownership.

The Hindustan Shipyard at Visakhapatnam is owned by the government, as is a second shipyard at Cochin. The Garden Reach Workshops at Calcutta were acquired by the Ministry of Defense in 1960. This shipyard is now building cargo liners of about 26,000 dwt. Mazagon Dock Ltd., Bombay, another shipyard under the Ministry of Defense, is capable of building merchant ships up to 16,000 dwt. Cochin shipyard has commenced construction of its first Panamax vessel of 75,000 dwt. with completion scheduled in late 1978.

Miscellaneous

In the latter part of 1966, the government decided to give relief to all industries, including shipping, with respect to plants and machinery imported on a deferred payment basis prior to devaluation (June 1966) to the extent of the increased liability caused by valuation by allowing the writing up of the capital cost of such assets. The industries will also be allowed to write up the original cost of the assets even in cases where they are sold or transferred for the purpose of computing capital gains or losses.

For every ton of new ships ordered from overseas yards, an Indian shipowner must place orders for comparable tonnage in India.

The government has instituted a ban on the registry of ships that could otherwise be built in India.

General insurance (including marine insurance) was nationalized in India in 1971. The General Insurance Corporation, and its subsidiaries, has the exclusive privilege of carrying out general insurance in India.

ECONOMIC BACKGROUND

Size of Fleet:	219 vessels;	1,231,000 dwt.
Freighters :	179 vessels;	916,000 dwt.
Tankers :	22 vessels;	132,000 dwt.
Bulk Carriers:	9 vessels;	131,000 dwt.
Other :	9 vessels;	56,000 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$15,579	$7,226
commodities :	petroleum, timber, rubber, coffee, tea, copper	foodstuffs, iron and steel products, machin transport equipment, consumer durables
major trading partners:	Japan, U.S., Singapore	Japan, U.S.

GNP (1977) : $42,680,000,000
GNP/capita (1977): $320

Inter-island shipping is of major importance to Indonesia and occupies the bulk of the Indonesian-flag merchant fleet. As of the end of 1970, some 404 ships of 390,175 dwt. tons were in the inter-island service and in 1970 these ships carried 1,790,000 metric tons of cargo.

The Indonesian government has separated ports into those admitting foreign trade, and those restricted to insular traffic. Many of the 47 ports open to foreign trade move only special cargoes such as lumber, ore, and equipment related to the oil industry.

Port expansion is needed and planned for several of Indonesia's ports. The most important expansion plans are for the Port of Tandjung Priok, near Djakarta. Tandjung Priok handled 8.7 million tons of cargo in 1975.

In 1976, Indonesian flag vessels carried 22 percent of its dry cargo and palm oil trade, and 8 percent of its crude oil traffic.

GOVERNMENT AIDS

The government grants no subsidies to its maritime industries.

Import Tax Exemption

The Indonesian government grants total import duty and import sales tax exemption on the import of raw materials, machinery, equipment, and spare parts necessary to build, repair, and maintain ships. The granting of these exemptions will be given only by the recommendation of the Minister of Industry or the Minister of Communications.

Cargo Preference and Bilateralism

All requests for shipping space for export of Indonesian commodities must be channeled through the Directorate of Shipping of the Directorate General of Sea Communications. This is designed to give national shipping companies priority in the transportation of Indonesian export goods.

The Minister of Communications has ruled that transshipment of goods for Indonesia must be with Indonesian-owned ships using only Indonesian transshipment ports. It was also pointed out that, as soon as possible, Indonesian-owned coasters will be used for transshipments from Bangkok, Thailand, and Kompongsom, Cambodia.

Licenses will be issued by the Directorate General of Sea-Communication. If national vessels are unavailable, foreign-flag ships can be licensed to carry transshipments. The government has stipulated that national flag ships carry 40 percent of all cargo moving between Indonesia and Europe. All tugs and barges operating in Indonesian waters must be either of Indonesian registry or on charter to Indonesian companies. By 1984 all such vessels must be fully owned by an Indonesian company.

A foreign shipping line must appoint an Indonesian company as its agent. Foreign shipping enterprises are required to obtain the permission of the Economic Service of the Directorate General of Sea Communications to use local currency for local expenses.

The Government of Indonesia announced on October 20, 1972, a tax on foreign shipping at a rate of 2 percent of gross revenues from sales made anywhere in the world for transport of passengers and freight within or from, but not to, Indonesia.

Indonesia allocates 45 percent of European cargoes for her own vessesls.

The Indonesian Shipowners Association and the Singapore Shipowners Association have a memorandum of understanding restricting the carriage of all cargo between Singapore and Indonesia to the fleets of the two countries. This arrangement, however, does not cover the small craft moving oil supply equipment to Indonesia from Singapore. However, priority must be given to the Indonesian national line, PELNI, for cargoes on the Singapore to West Irian route.

Fifty percent of C.I.F. fertilizer imports (100 percent of F.O.B. fertilizer imports) must be carried on Indonesian-flag vessels.

Materials for the Japanese-financed Asahan hydro-electric aluminum project in Sumarra must be carried 50/50 by Japanese and Indonesian vessels.

Priority for bunkers is given to vessels carrying food imports and those carrying essential export commodities, such as, oil, cement, and timber.

Government Ownership

The Government owns the Indonesian National Shipping Company (PELNI) the national inter-island fleet, which owns and operates more than half of Indonesian flag tonnage. It also owns Djakarta Lloyd which is the nation's international shipping line, and P.N. Pertamina, the oil enterprise.

The Government also owns the following docks/shipyards:

- P.T. Dok Tanjung Priok at Tanjung Priok, Jakarta
- P.T. Dok Tanjung Perak at Tanjung Perak, Surabaya
- P.T. Kodja at Jakarta and Palembang
- P.T. Ippa Gaya Baru at Jakarta, Cirebon and Semarang
- P.T. Waiame at Ambon
- P.T. Industri Kapal Indonesia at Gresik, Padang, Manado and Ujung Pandang

IRAN*

ECONOMIC BACKGROUND

Size of Fleet:	57 vessels;	1,734,000 dwt.
Freighters :	42 vessels;	538,000 dwt.
Tankers :	15 vessels;	1,196,000 dwt.
Bulk Carriers:	0 vessels;	0 dwt.
Other :	0 vessels;	0 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$19,895	$8,547
commodities :	petroleum	machinery, iron and steel products, chemicals, electrical equipment, agricultural products
major trading partners:	Japan, EEC, U.S.	EEC, U.S., Japan

GNP (1977) : N.A.
GNP/capita (1977): N.A.

Petroleum accounted for about 76 percent of Iran's export earnings1/ and revolutionized the country's economy. Iran now possesses the world's largest crude petroleum loading terminal at Khark Island, which can handle up to 14,786 tons per hour.

GOVERNMENT AIDS

There are no government subsidies in Iran.

1/ Including the export of services.

*Due to the lack of diplomatic relations between the United States and Iran, the above information has not been confirmed by Iranian authorities.

Cargo Preference

Iranian Decree No. 35510 of 23 August 1976 created a bureau at the Ministry of Commerce for the purpose of planning and programming the importation and shipment of government goods. All ministries and government enterprises and organizations, as well as government-affiliated organizations (excluding the War Ministry and the Armed Forces which are covered by their own regulations) are responsible for arranging for the shipment of their own goods, whether by sea or by air, through the Ministry of Commerce. The Ministry of Commerce arranges with the Iranian Merchant Marine for the shipment of such goods.

Government Ownership

Arya Shipping Lines of Iran was nationalized on 7 August 1979 in line with the government policy of taking control of all major industries in the country. In 1980 it's name was changed to Islamic Republic of Iran Shipping Line.

IRAQ, REPUBLIC OF*

ECONOMIC BACKGROUND

Size of Fleet:	35 vessels;	2,244,000 dwt.
Freighters :	14 vessels;	116,000 dwt.
Tankers :	21 vessels;	2,128,000 dwt.
Bulk Carriers:	0 vessels;	0 dwt.
Other :	0 vessels;	0 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$19,000	$9,792
commodities :	petroleum	boilers and engines, automobile parts, sugar
major trading partners:	EEC, Brazil, Japan	EEC, Japan

GNP (1977) : $18,490,000,000
GNP/capita (1977): $1,570

GOVERNMENT AIDS

Government Ownership

The Iraq oil tanker enterprise is a division within the state-owned Iraq National Oil Company.

Dry cargo operations are the responsibility of the Iraq Maritime Transport Company which is under the direction of the Ministry of Transportation.

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*Due to the lack of diplomatic relations between the United States and the Republic of Iraq, the above information has not been confirmed by Iraqi authorities.

Agreements

An Iraqi-Soviet agreement provides for the transport of Soviet goods exported to Iraq on Iraqi bottoms, and the assignment of Soviet crews to some Iraqi vessels.

IRELAND

ECONOMIC BACKGROUND

Size of Fleet:	25 vessels;	241,000 dwt.
Freighters :	14 vessels;	30,000 dwt.
Tankers :	4 vessels;	14,000 dwt.
Bulk Carriers:	7 vessels;	197,000 dwt.
Other :	0 vessels;	0 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$7,176	$9,855
commodities :	agricultural products, textiles	petroleum and petroleum products, machinery, manufacutred goods
major trading partners:	U.K., EEC	U.K., EEC

GNP (1977) : $9,770,000,000
GNP/capita (1977): $3,060

Tonnage on the Irish register has been increasing steadily over the last few years and a wide variety of scheduled services from Ireland are provided for passengers and freight. These services, which include passenger/car ferry services, roll-on/roll-off freight and lift-on/lift-off container services link Ireland with the U.K. and Europe direct, and, through agency agreements, services are provided to the U.S., Canada, Australia, and the Middle East.

The huge Gulf Oil petroleum terminal on Whiddy Island in Bantry Bay has been gaining importance as a petroleum transshipment port in Western Europe. The terminal can handle tankers of more than 350,000 dwt. tons.

It is estimated that the proportion of foreign seaborne trade carried in Irish ships is of the order of 15-20 percent of total.

GOVERNMENT AIDS

Construction Subsidy or Aid

State subsidies are payable for ships built in Irish yards.

Shipping Finance Corporation Ltd., a subsidiary company of the Industrial Credit Company Ltd., which is a government sponsored investment bank, provides loans at low interest rates towards the cost of ships built in Irish shipyards so that credit facilities can be extended to shipowners comparable to those available in other countries. The only substantial shipbuilding yard in Ireland is Verolme Cork Dockyard (VCD) in which there is a substantial State investment by way of loans, grant contributions, and share subscriptions. In addition to its shipbuilding facilities, the yard has extensive ship repair and general engineering units. There have been two forms of State aid available for shipbuilding at VCD:

(a) credit facilities and subsidized interest for shipowners (i.e., shipping finance); and,

(b) maximum loss subsidy of 7 percent of the contract price of a vessel.

Under the shipping finance scheme, which is administered by Shipping Finance Corporation (a subsidiary of the Industrial Credit Co.), credit is provided for shipowners ordering vessels from VCD. The credit terms, which comply with OECD and EEC Regulations, are limited to 80 percent credit over 8 years at not less than 8 percent interest rate. VCD also had the benefit of a subsidy scheme to offset losses incurred in shipbuilding. The operation of the scheme expired at the end of 1977. The limit to the subsidy was 7 percent of the contract price of the vessel or the loss incurred in building the vessel, after depreciation, whichever was the lesser.

Tax Benefits

Initial Allowance (which is of general application) may be claimed in respect of capital expenditure on new or second-hand ships. The rate is 100 percent for expenditure between 1 April 1971 and 31 March 1979.

"Free depreciation" is available for investment in new ships. Under this arrangement a taxpayer is allowed to write off for tax purposes up to 100 percent of the cost of the ship in the first year in which it is brought into use.

Profits from shipbuilding and repairs to ships, whether for foreign customers or not, may be treated for tax purposes as if they were profits from the export sale of goods manufactured in the State. Export sales relief, at the maximum, wholly exempts the profits from corporation tax for a period of fifteen years with a further five years of reducing relief until 5 April 1990.

Government Ownership

Irish Shipping Ltd. and the B & I Company (The British and Irish Steam Packet Company Ltd.) are both State-owned. On 31 May 1978, Irish Shipping Ltd., which operates mainly in the deep-sea trade on charter and tramping, had 8 bulk carriers of 142,943 gross registered tons. They are also effectively the owners of the "St. Patrick" and the "St. Killian" car ferries. The two car ferries which are operated by Irish Continental Line (a subsidiary company of Irish Shipping Ltd.,) provide a direct passenger and Ro/Ro freight service on the Rosslare/Le Havre and Rosslare/Cherbourg routes. On the same date, the B & I owned three car ferry vessels and a freight vessel. In addition they had two freight ships on long term lease. A new car ferry, at present under construction at Verolme Cork Dockyard, is due to come into service later this year. The B & I Company provides passenger/car services to the U.K., and unit-load Ro/Ro and Lo/Lo freight services to the U.K., Europe and through agency agreements elsewhere throughout the world.

ISRAEL

ECONOMIC BACKGROUND

Size of Fleet:	37 vessels;	542,000 dwt.
Freighters :	27 vessels;	228,000 dwt.
Tankers :	0 vessels;	0 dwt.
Bulk Carriers:	10 vessels;	314,000 dwt.
Other :	0 vessels;	0 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$4,553	$8,332
commodities :	polished diamonds, citrus and other fruits, (tourism is a leading foreign exchange earner)	military equipment, rough diamonds, machinery, iron and steel products
major trading partners:	U.S., EEC, Hong Kong, Japan	U.S., EEC, Switzerland

GNP (1977) : $13,570,000,000
GNP/capita (1977): $3,760

Shipping is of extreme importance to Israel since almost all of Israel's foreign trade is seaborne. Shipping has become Israel's second most important foreign exchange earner, behind tourism, and is expanding at an accelerated rate. Zim Israel Navigation Company is spearheading the expansion drive with a ten-year construction program of thirty-three new vessels costing about $300,000,000.

Haifa and Ashdod have been Israel's primary ports. Eilat and Ashkelon have lost their importance because of the situation in Iran and the discontinuance of fuel import from Iran.

In 1969, Israeli-flag shipping carried approximately 50 percent of Israel's foreign trade.

GOVERNMENT AIDS

Customs Duties

Equipment, machinery, and materials required to build Israel Shipyards, Ltd., are exempt from customs duty and indirect taxes.

Tax Concessions

Tax advantages are given to shipyards1/ at all stages of the implementation of the project and of its subsequent operation.

Cargo Preference

Requirements for the use of Israeli bottoms for carrying meat to Israel are negotiated with the exporting country.

Financial regulations of October 1972 require the issuance of import licenses on an F.O.B. basis, thereby giving the Government of Israel control over the choice of vessel and the placement of cargo insurance. In November 1977 this regulation was changed and many items no longer need an import license.

Government Owmerhsip

1. Zim Israel Navigation Company, the national shipping line, is owned by four partners: the Israel Corporation, owned by Jews abroad (50%), the government (30%), the Histadrut (National Labor Union) (10%), and the Jewish Agency (10%).

2. Zim Israel Navigation Company owns Petroleum Tankers, Ltd.

3. The government owns Israel Shipyards, Ltd., the only yard capable of building ships of over 1,000 gross tons, and which has already built vessels of about 9,000 tons.

Other

1. Shipping companies and the government share 50/50 in all costs of training officers.

1/ These tax concessions are also available to any approved industrial and commercial enterprises.

2. Government approval is necessary to charter foreign ships by any Israeli party. Approval is given only if domestic ships are unavailable on competitive terms or when special lift ships are required.

3. Under the Israeli Merchant Shipping (vessels) Act 1960, a ship must have at least 50 percent Israeli ownership to be registered under Israeli flag.

ITALY

ECONOMIC BACKGROUND

Size of Fleet:	607 vessels;	18,596,000 dwt.
Freighters :	206 vessels;	1,488,000 dwt.
Tankers :	226 vessels;	9,487,000 dwt.
Bulk Carriers:	151 vessels;	7,503,000 dwt.
Other :	24 vessels;	119,000 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$72,227	$77,954
commodities :	machinery, transport equipment, textiles, footwear, chemicals	machinery, transport equipment, foodstuffs, ferrous and non-ferrous metals, petroleum
major trading partners:	EEC, U.S., Switzerland, Libya, Qatar, Spain	EEC, U.S., Iraq, Libya, Switzerland, South Africa

GNP (1977) : $199,270,000,000
GNP/capita (1977): $3,530

GOVERNMENT AIDS

Operating Subsidy or Aid

According to Law 684 of December 20, 1974, subsidies can be granted when new services or the maintenance of old ones, which are temporarily uneconomic, are specifically required by the national economy, including services between Italy and its islands.

International services are operated by ITALIA, LLOYD TREIESTINO, ADRIATICA and TIRRENIA. Local services between Italy and its islands are operated by TIRRENIA (Sardina and Sicily), and TORREMAR (Toscana Regionale Marittima), CAREMAR (Compagnia Regionale Marittima) and SIREMAR (Sicilia Regionale Marittima) which cover the Italy/minor islands sector.

Construction Subsidy or Aid

Law No. 231 of 25 May 1978 stated that a subsidy of up to 30 percent of the construction cost could be granted under certain conditions, for vessels ordered during the period 1 April 1977 to 30 September 1978.

Scrap and Build

Law No. 720 of 23 December 1975, provides for the grant of a subsidy of 30,000 lire of each gross registered ton scrapped, provided the tonnage of the unit to be built will be at least 75 percent of the ship scrapped. If the ratio between the tonnage to be scrapped and the tonnage to be built lies between 50 percent and 75 percent, the subsidy is proportionally reduced. The subsidy is increased by 30 percent when the ship to be built is of a specialized type or if the ship to be scrapped is more than 25 years old or when the ship to be scrapped does not exceed 3,000 grt.

Loans and Interest on Loans

Under Law 26 of February 2, 1974, as amended by Law May 25, 1978, No. 234, shipowners may be granted loans for up to 70 percent of the cost of the construction, modernization, and repair of ships upon authorization of the competent Italian government office. The loans, repayable in 15 years, are made by the Istituto Mobiliare Italiano and other financial institutions. The interest rate (about 15.5 percent) is paid 50/50 by the Government and the shipowner or 60/40 for ships less than 3,000 grt. that are intended for tourism.

A similar facility is provided for the purchase abroad of second-hand vessels less than 10 years old, provided they do not exceed 3,000 grt.

Tax Benefits

Tax-free replacement reserves may be formed under certain conditions from book profits resulting from the sale of a vessel.

All ships, as well as materials necessary for their constuction, are exempt from the Value Added Tax.

Customs Duties

All material imported for the building of oceangoing ships is exempt from duty.

Depreciation

Straight-line depreciation is calculated on an accounting life of 10 years for passenger vessels, tankers, and dry cargo ships.

Accelerated depreciation starts with the year in which the expediture occurred and may operate during the three following years, up to a maximum of 40 percent of the cost of the vessel, but the percentage in any one year may not exceed 15 percent of the value of the vessel.

Cargo Preference and Cabotage

Italy, in defense from cargo preference, may restrict the use of ships of countries which discriminate against Italian-flag ships. Shipments on such vessels are subject to government authorization.

The navigation code excludes all foreign-flag ships from domestic trade.

Italy and the Soviet Union have signed a bilateral shipping pact which provides for the setting up of a jointly operated liner service to promote trade between them. It also stipulates that Italian ships should carry all raw materials while Soviet ships should carry general cargo.

Government Ownership

FINMARE is a holding company in which the Istituto per la Ricostruzione Industriale (IRI), an agency of the Ministry of State Holdings, owns 75 percent of the shares and the public 25 percent.

Shareholdings of FINMARE nad IRI in shipping companies entitled to government subsidies are as follows:

	FINMARE	IRI
Italia	90%	10%
Lloyd Treiestino	80%	20%
Adriatica	60%	40%
Tirrenia	80%	20%

	FINMARE	TIRRENIA
Torremar	48.51%	51.49%
Caremar	48.51%	51.49%
Siremar	48.51%	51.49%

Approximately 90 percent of the shipbuilding in Italy is owned and operated by Finanziaria Cantieri Navali (FINCANTIERI), a holding company in which the Istituto per la Ricostruzione Industriale (IRI), an agency of the Ministry of State Holdings, owns 100 percent of the stock.

In accordance with the C.I.P.E. (Comitato Interministeriale per la Programmazione Economica) recommendations of October 7, 1967, the shipyards under FINCANTIERI control were reorganized under a new entity called ITALCANTIERI which now includes the Sestri, Monfalcone, and Castellamare shipyards.

Loans or Grants for Reorganization and Conversion of Yards

Act No. 720 of November 23, 1975 provides for a 5 percent contribution toward annual interest payments on funds required for new investment in shipyards.

Contributions to Research

Act No. 259 of May 5, 1976 provides for a grant of 3 million lire annually for 9 years, starting in 1976, to develop applied research in the shipbuilding and ship propulsion sectors.

Miscellaneous

An Italian law which became effective in March 1977 makes maritime agents responsible for the social welfare, payment of salaries, and insurance coverage of all new crews employed. Maritime agents must produce guarnatees from flag of convenience shipowners covering insurance and salaries before taking on new crews.

JAPAN

ECONOMIC BACKGROUND

<u>Size of Fleet</u>: 1,778 vessels; 59,925,000 dwt.

Freighters :	782 vessels;	6,783,000 dwt.
Tankers :	473 vessels;	31,129,000 dwt.
Bulk Carriers:	517 vessels;	21,992,000 dwt.
Other :	6 vessels;	22,000 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$102,293	$109,809
commodities :	machinery and equipment, iron and steel	fossil fuels, foodstuffs, machinery and equipment
major trading partners:	U.S., China, Saudi Arabia, Europe, Canada	U.S., Saudi Arabia, China, Canada, Europe

GNP (1977) : $737,180,000,000
GNP/capita (1977): $6,510

Since Japan is an island with poor natural resources, it has to import a large proportion of foodstuffs as well as a major part of raw materials for industrial production. Shipping and shipbuilding, therefore, are very important to the country's economy, and both the government and private firms have made an effort to encourage these industries.

Japan possesses the largest shipbuilding industry in the world. Its shipyards already have the capability to build 300,000 grt. vessels. But Japan's production is now decreasing abruptly under the internationally depressed situation of the shipbuilding industry and its share in world tonnage delivered was 33 percent in 1979.

In 1978, Japanese-flag vessels carried 39.2 percent of Japan's oceanborne foreign trade (41.6 percent of Japan's imports and 20.8 percent of exports.)

With the increase of the need of ports and harbours, their role is becoming more and more important. Accordingly, the Government of Japan is implementing the Fifth Five-Year Port and Harbour Improvement Plan, which covers a period of five years between 1976 and 1980 fiscal years. In this plan, the emphasis is placed mainly on the promotion of port environmental protection works and improvement of local ports as well as the further improvement of major foreign trade ports.

GOVERNMENT AIDS

Operating & Construction Subsidies or Aids

Subsidy for Island/Mainland services in the amount of approximately 2,346 million yen was allocated for fiscal year 1979.

Scrap and Build

In fiscal year 1978, the Japanese government instituted subsidies to shipbuilders scrapping mainly uneconomical ocean-going vessels. The financial assistance is at the rate of about 1400-1700 yen per grt. Under this plan, four million grt. of ships is expected to be scrapped from 1978 to 1982.

Owners of coastal vessels may scrap uneconomical vessels and build new ones for joint ownership with the Maritime Credit Corporation. The Corporation will share 70 to 80 percent of the construction cost of the new vessel while the shipowner will pay a fee to the Corporation for the use of the vessel during the period of joint ownership (7-15 years).

Ship Export Credits

Export credits for ships are granted to the shipyards in the form of the combined Export-Import Bank of Japan (supported by the government) and private bank loans which cover at most 70 percent of the total ship's price. Loans for ship exports accounted for approximately 18 to 22 percent of total Ex-Im Bank loans during fiscal years 1977 and 1978.

Present conditions of loans are normally as follows:

1. Ex-Im Bank loans cover 55 percent of the combined loans (i.e., 38.5 percent of the total price). The term of an Ex-Im Bank loan is 8.5 years after completion of the ship.

2. Private banks will finance the shipyard with the remainder of the combined loans (i.e., 31.5 percent of the total price).

Financing terms of the Export-Import Bank are decided in order that the combined loans meet the OECD "Understanding on Export Credit for Ships."

The shipyard which enjoys these credits will grant a deferred payment to the shipowners abroad on the same conditions as the combined loans; i.e., 8.5 year term, interest rate approximately 8 percent, 20 percent of the price of payment by delivery.

Export Credit Insurance

The Ministry of International Trade and Industry underwrites export insurance policies to cover a wide range of commercial and political risks.

Loans and Interest on Loans

Through the Development Bank of Japan, the government extends loans to Japanese shipowners for the construction of oceangoing vessels.

Containerships and LNG Carriers: 75 percent will be covered by the Development Bank loan and 25 percent by a private bank loan. The terms of the Development Bank loan are 10 years after a 3-year grace period.

Other type ships: 15 percent of the price will be self-financed and of the remainder, 65 percent will be covered by Development Bank loan and 20 percent by a private bank loan. Terms of the Development Bank loan are 10 years after a 3-year grace period.

In 1979, the government reintroduced an interest subsidy for the Japanese owner. Under this system, a shipowner intending to have a labor-saving type vessel or a LNG carrier built may be granted a government subsidy of 2.5 to 3.5 percent of the Japanese Development Bank loan and the private bank loan required for the construction of the ship to enable the owner to pay part of the interest of the loan.

Other schemes available to the domestic shipowners are loans by various government-supported organizations which are available for the construction of fishing vessels and also for the construction of cargo and small passenger ships if the owner of such a ship scraps his own superannuated ship.

Shipyard Reorganization and Conversion Loans or Grants

To help the shipbuilding industry overcome its current recession the government: (1) guarantees, for a period of up to five years, payment of debts incurred in carrying out the scrapping, reorganization, etc., of redundant building berths or docks with a 5,000 grt. or more capacity; (2) purchased, during 1979, redundant facilities and lands of shipbuilders having a building berth or dock capacity of 5,000 grt. or more; (3) supplies, through the Japanese Development Bank, a loan of 50 percent of the funds required for capital investment in making a conversion to a different type of industry to any shipbuilder with a building berth or dock capacity of 5,000 grt. or more; and (4) grants a tax exemption of 10 percent of the value of the capital investment required in the conversion to a different industry, to designated shipbuilding enterprises and the small- and medium-sized related enterprises.

Tax Benefits

Tax free reserves can be set aside for: (1) replacement of specific business assets; (2) special repairs of ships; (3) special depreciation; and, (4) pollution control (operators may credit to the reserves 0.1 percent of the revenue accrued from tanker operations).

Customs Duty

Imported ships of 100 gross tons and above are free of duty.

Depreciation

Ships of not less than 2,000 grt., in addition to the normal depreciation (each shipping company may select either the constant ratio method or the constant amount method ship by ship for depreciations) may take the special depreciation of 15 percent of the original cost in the first fiscal year. This type of depreciation is a temporary measure effective from April 1980 to March 1981.

Grants for Research

The Ship Research Institute attached to the Ministry of Transport has been appropriated 1,800 million yen in fiscal year 1979. The Nuclear Ship Development Agency was also set up with government funds in 1963.

Government Ownership

The Japanese government owns relatively small tonnages as compared with Japanese private sectors.

Government Purchasing

The total value of the orders placed by the Defense Agency and the Maritime Safety Agency has been:

Fiscal Year	Million Yen
1977	104,115
1978	137,375

Miscellaneous

"Law on Special Measures against Unfavorable Treatment to Japanese Ocean-going Ship Operators by Foreign Governments and Others" entered into force on 20 July 1977. The Minister for Transport, when the interests of Japanese ocean-going ship operators are significantly harmed by unfavorable treatments by any foreign government and others, may order, against the ocean-going ship operators of such country, the restriction or prohibition of port access, and loading or unloading of cargo in Japan. Any one who acts against any such order shall be subject to penal servitude for a period not exceeding one year or a penalty not exceed 5 million yen. Before any restrictions are enforced the Minister for Transport may notify the ocean-going operators of such foreign country that he may order any counter measures unless the harmful situation ceases to exist within a specified period not shorter than six months.

On 1 April 1980, the 35 major Japanese shipbuilders obtained the permission of the Fair Trade Commission to form an anti-recession cartel that would end in March 1982.

KOREA

ECONOMIC BACKGROUND

Size of Fleet:	301 vessels;	4,778,000 dwt.
Freighters :	179 vessels;	1,140,000 dwt.
Tankers :	46 vessels;	2,109,000 dwt.
Bulk Carriers:	76 vessels;	1,530,000 dwt.
Other :	0 vessels;	0 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$15,071	$20,313
commodities :	textiles and clothing, electrical machinery, ships, steel	machinery, oil and steel, transport equipment, organic chemicals
major trading partners:	U.S., Japan, EEC	Japan, U.S., EEC

GNP (1977) : $35,150,000,000
GNP/capita (1977): $980

Korean exports have been expanding at about 42 percent every year since 1960, when exports totalled $33,000,000.

Foreign trade, both exports and imports, has been increasing at about 36 percent each year since 1967.

The Korean government is implementing a five year shipbuilding program to expand the country's ocean-going fleet to 12 million G/T by 1986, and is also aimed at increasing the earnings of its people from the shipping industry to U.S. $1.8 billion by 1981.

During 1975, Korean vessels carried 35 percent of Korea's oceanborne foreign trade. Korean-flag vessels handled approximately 47 percent of the country's trade in 1979.

Tax Benefits

Customs duties may be abated on goods used to manufacture or repair vessels which cannot be properly manufactured domestically and value added tax can be waived on shipbuilding material in particular cases.

Subsidies

Government loans and subsidies give the government the right to order a company to operate its ship on a specific domestic or international trade route for a fixed time period; however, the state will bear any losses sustained from such service.

Operating Subsidies

The Korean government may grant operating subsidies to the marine transporters engaged in the service in international routes who have made a significant contribution to earning foreign exchange.

Construction Subsidy

Shipowners may receive loans to cover up to 90 percent of the cost of a new ship to be built (92 percent in case of a full-containership). Repayment is to be made over an eight year term with a three year grace period, at an interest rate of 17 percent.

Export Subsidy or Loans

Foreign shipowners or Korean exporters can receive loans from the Korean Export-Import Bank for up to 80 percent of the cost of the vessel with repayment over eight years at an interest rate between 8 and 8.5 percent.

Cargo Preference

Korean flag vessels must be used for the transportation of such cargoes as major designated cargoes and liner cargoes, except to the extent that a waiver is obtained from the authorities concerned.

Retaliatory Measures

When a foreign operator of vessels is deemed to have committed acts hindering the development of marine transportation of Korea, or to have confused the order of trade routes, the Korean government may take necessary countermeasures.

Miscellaneous

Companies wishing to receive government assistance are required to have a minimum tonnage of owned bottoms of 20,000 G/T and a minimum capital of 500 million Won. Joint ventures with overseas interests are permitted, provided that the majority of investments and more than 3/5 of the voting rights at the board of directors belong to the Korean side.

In 1976 the Korean government proclaimed that, where possible, all new ships for the Korean merchant fleet would be built at the country's own yards with the government undertaking to subsidize owners and yards.

Direct loans or guarantees for foreign loans are available to builders for shipyard development. The direct loans are repayable in ten years at 7.5 percent annual interest.

KUWAIT

ECONOMIC BACKGROUND

<u>Size of Fleet</u>: 88 vessels; 3,677,000 dwt.

Freighters :	73 vessels;	1,305,000 dwt.
Tankers :	13 vessels;	2,354,000 dwt.
Bulk Carriers:	2 vessels;	18,000 dwt.
Other :	0 vessels;	0 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$16,483	$5,700
commodities :	petroleum	machinery and transport equipment, basic manufacture, food and live animals
major trading partners:	EEC, Japan, Korea	Japan, U.S.

GNP (1977) : $14,420,000,000
GNP/capita (1977): $12,690

Kuwait possesses one of the world's largest known reserves of oil. About 70 billion barrels of oil and petroleum make up 98 percent of Kuwait's exports and provides about 93 percent of the government's revenues. Kuwait can refine up to 530,000 barrels of petroleum per day which will be expanded in three years and increase the refining to 750,000 barrels daily.

Some of Kuwait's ports are geared to the petroleum industry with the port at Mina Al-Ahmadi and the offshore Sea Island Terminal capable of handling the largest existing tankers. The most important non-petroleum port is Shuwaikh which currently can handle about 5 million tons of cargo and receive about 2100 ships a year.

The first stage of the North East Extension plan will add to the existing port facilities 9 additional berths, three of which will be container berths, one for Ro/Ro ships and the remaining five for general and bulk cargo vessels, thus the total number of berths will be 27 berths.

Cargo Preference

The government of Kuwait crude oil sales contracts include terms which require that cargo preference be given to Kuwaiti flag tankers.

Government Ownership

Kuwait Shipping Company is in the process of liquidation and the Kuwait Oil Tankers Company has been totally owned by the government since June 29, 1979.

LIBERIA

ECONOMIC BACKGROUND

Size of Fleet:	2,439 vessels;	154,180,000 dwt.
Freighters :	610 vessels;	6,655,000 dwt.
Tankers :	883 vessels;	104,303,000 dwt.
Bulk Carriers:	932 vessels;	43,109,000 dwt.
Other :	14 vessels;	113,000 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$1,252	$1,944
commodities :	iron ore, rubber, diamonds, lumber and logs, coffee, cocoa	machinery, transport equipment, petroleum products, manufactured goods, foodstuffs
major trading partners:	Japan, EEC, U.S.	Norway, Sweden, EEC, U.S.

GNP (1977) : $740,000,000
GNP/capita (1977): $410

The world's largest merchant fleet (about 20 percent of the total world fleet) operates under the Liberian flag, and these vessels play a vital role in the country's economy through their registration fees and tonnage taxes. Approximately 5-8 percent of Liberia's annual budget comes from registration fees and tonnage taxes; registration fees are equal to about 1.7 percent of Liberia's gross national product.

Although ownership by a Liberian entity is a requirement of registration, it is estimated that a small portion of the Liberian fleet is beneficially owned by Liberians. It is estimated that Greek interests own some 30-35 percent by tonnage, that United States interests own a further 30-35 percent, and Hong Kong interests own about 10-15 percent. The remainder is owned by almost every country in the world.

Regulations for registering ships in Liberia are as follows:

a. No vessel is accepted unless it is classed and said class must be with one of the six Classification Societies;

b. Liberia is a Party to many International Conventions including SOLAS 1974, (which became effective for Liberia on May 25, 1980), International Load Line (1966), International Telecommunications Conference (edition of 1968), Convention for the Prevention of Pollution of the Sea by Oil (1954), as amended, all IMCO Conventions in force, and various I.L.O. Conventions. All vessels in order to be registered must meet the requirements of the above-mentioned International Conventions and Conferences, as well as additional requirements imposed by Liberia over and above the requirements of the various Conventions and Conferences. In connection with SOLAS 1974 and Load Line (1966), Liberia has appointed six of the leading Classification Societies to act as agent for and on its behalf in the issuance of the necessary international certificates. These Societies are Lloyd's Register of Shipping, American Bureau of Shipping, Det Norske Veritas, Bureau Veritas, Germanischer Lloyd, and Nippon Kyokai;

c. By statute no vessel is eligible for registration or reregistration if said vessel is more than 20 years of age.

d. Applicants must submit proof of ownership, proof of legal existence, evidence of corporate authorization, complete various official forms, and pay the required initial registration fee of $1.20 per net registered ton and an annual tonnage tax of 10¢ per net registered ton.

Miscellaneous

Uiterwyk Liberia Lines, owned by Uiterwyk Corporation and Liberian citizens was declared a national line in 1978. As a Liberian corporation partially owned by Liberian citizens, the newly designated national line uses Liberian seamen.

The government supports a maritime institute 'being established at Marshall City, to provide training for Liberian seamen.

ECONOMIC BACKGROUND

Size of Fleet:	26 vessels;	1,531,000 dwt.
Freighters :	12 vessels;	45,000 dwt.
Tankers :	14 vessels;	1,496,000 dwt.
Bulk Carriers:	0 vessels;	0 dwt.
Other :	0 vessels	0 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$15,055	$7,961
commodities :	petroleum	machinery, manufactures, food and live animals
major trading partners:	U.S., EEC	EEC, U.S.

GNP (1977) : $17,189,000,000
GNP/capita (1977): $6,520

GOVERNMENT AIDS

Government Ownership

The Libyan government owns the General Maritime Transport Company, which in turn owns virtually the entire Libyan fleet.

Other

All shipping activities in Libya are controlled by the General Maritime Transport Company.

The entirely state-owned, Universal Shipping Company, Benghazi, is the sole agent of tanker shipping in all of Libya.

The governments of the Turkish Republic and the Socialist People's Libyan Arab Jamahiriyah have established a joint maritime transport stock company.

MALAYSIA

ECONOMIC BACKGROUND

Size of Fleet:	54 vessels;	782,000 dwt.
Freighters :	37 vessels;	210,000 dwt.
Tankers :	3 vessels;	89,000 dwt.
Bulk Carriers:	11 vessels;	477,000 dwt.
Other :	3 vessels;	7,000 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$11,044	$7,562
commodities :	petroleum, natural rubber, tin, logs and timber	machinery and transport equipment, basic manufactures, food and live animals
major trading partners:	Japan, U.S., EEC	Japan, U.S., EEC

GNP (1977) : $12,600,000,000
GNP/capita (1977): $970

Ocean shipping is vital to Malaysia due to its heavy dependence on foreign trade and the separation by water of West from East Malaysia.

One of the fastest growing of the world's new merchant fleets is that of Malaysia. In just seven years the Malaysian International Shipping Corporation (MISC) has built up a modern fleet of vessels of diverse types, and plans to double the tonnage in the next few years. However, MISC has only managed to lift a 20 percent share of Malaysia's foreign trade.

In 1973 the Malaysian Government signed an agreement to establish a major shipyard at Johore Bharu on a joint venture basis with Japanese and other investors. When completed it will be one of the largest in Southeast Asia.

The Port of Penang is Malaysia's second largest port. There was an overall growth in cargo handled by the port of 9 percent from 1976 to 1977. Container traffic had a 27 percent increase in the same period.

GOVERNMENT AIDS

Government Ownership

The government has more than a 51 percent interest in the Malaysian International Shipping Corporation, and a 50 percent interest in the shipyard at Johore Bharu.

Loans

Commercial loans for the five LNG tankers ordered in 1974 by the Malaysian International Shipping Corporation are guaranteed by the government. The first of these is scheduled for delivery in 1979.

Cargo Preference

On 1 January 1980, the Malaysian government instituted a policy whereby all coastal traffic is restricted to ships that are registered in Malaysia and priority is to be given to ships owned by Malaysians. In 1979 only about 40 percent of the vessels participating in coastal shipping were Malaysian registered.

Malaysia has adopted the UNCTAD Code of Conduct for Liner Conferences' cargo carriage ratio of 40:40:20.

MEXICO

ECONOMIC BACKGROUND

Size of Fleet:	52 vessels;	850,000 dwt.
Freighters :	19 vessels;	158,000 dwt.
Tankers :	30 vessels;	632,000 dwt.
Bulk Carriers:	3 vessels;	61,000 dwt.
Other :	0 vessels;	0 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$8,578	$11,992
commodities :	cotton, coffee, non-ferrous minerals, petroleum	machinery, equipment, industrial vehicles
major trading partners:	U.S., Spain, Germany	U.S., Germany, Japan, Spain, Brazil

GNP (1977) : $73,720,000,000
GNP/capita (1977): $1,160

During 1970, Mexican-flag vessels carried 15 percent of Mexico's oceanborne foreign trade.

GOVERNMENT AIDS

Operating Subsidy or Aid

The government subsidizes the cost of vessels' fuel to the extent of 50 percent of the total fuel expenses.

Cargo Preference and Cabotage

Coastal trade and Petroleos Mexicanos (PEMEX) traffic are restricted to national flag ships when available.

The Mexican International Multimodal Container Transport Decree requires a 50/50 cargo sharing of container shipments that move on a thru bill of lading by two or more transport modes from origin to final destination. The multimodal transport organization must receive prior authorization from the Secretary of Commerce and Transport to use other than Mexican ports for container shipments originating in or destined for Mexico.

A decree of April 28, 1966, grants a subsidy of 25 percent of freight rates to Mexican producers who ship their products to areas bordering on the United States, Guatemala and British Honduras. The subsidy applies to shipments by rail, ship, or national airline.

Preferential treatment in other areas is on the basis of administrative actions rather than laws. These actions have taken the following forms:

1. Approval of applications for import licences with the proviso that the goods covered by the application be imported in Mexican-flag vessels.1/

2. In some cases where the importation of a given item is restricted by allocations of quotas in currency, the cost of sea transportation is not charged against the quota when the goods are imported in Mexican-flag vessels. The effect of such a "credit" is to increase the quota of the importer who chooses to utilize the services of a Mexican-flag ship.

3. A decree of 30 January 1967, grants a 97.7 percent reduction of the export tax on cotton to cotton producers. The purpose of the decree is to encourage producers to seek foreign markets. It is stated in the decree that preferential treatment will be given to shippers who use Mexican-flag vessels or vessels chartered by a national shipping company.

4. A decree of 18 January 1963, established an export tax of 1 percent of the invoice value on bee honey if the shipment is made on a Mexican-flag ship. The tax applied on bee honey shipped on a foreign-flag vessel is 3 percent.

1/ This type of administrative action seems to result only when a Mexican carrier requests that the condition be imposed.

5. A decree effective 1 January 1966, provides the following subsidies for products intended for export: 50 percent of the railroad freight rate for manufactured products and 25 percent of the rate for semi-manufactured products or manufactured products not for end consumption. When such products are shipped by sea, the subsidy can only be given when either a Mexican-flag vessel or a foreign-flag vessel under charter to a Mexican shipping company is used.

6. The Certificate of Rebates of Indirect Taxes System (CEDIS) was reestablished in 1977. It provides for the return of indirect taxes and import duties to exporters of products manufactured in Mexico which have a minimum of 30 percent national content. The rebate varies in accordance with the degree of manufacture and the percentage of national content. The percentage of rebate is calculated on a products value F.O.B. place of exportation or CIF in those instances where Mexican insurance and transportation companies are used.

Bilateralism

Mexico and Brazil have an agreement providing that all maritime freight between the two countries must be carried in equal shares by vessels under the flags of the two countries when available.

Mexico has signed maritime agreements with the U.S.S.R. and Bulgaria which provide for a 50/50 division of cargoes and the establishment of a Joint Consultative Commission.

Government Ownership

The government agency PEMEX owns and operates the country's largest fleet of merchant ships consisting primarily of tankers, which move all of its crude and refined products.

A wholly government-owned bulk carrier operation, Compania Naviera Minera del Golfo, S.A. de C.V., was constituted in 1979 under the Secretaria de Patrimonio y Formento Industrial as part of Mexico's national development program.

Transportacion Maritima Mexicana is operated as a private concern, although in 1962 the government, i.e., the Bank of Mexico, the National Bank of Foreign Commerce and the government's investment corporation Nacional Financiera, purchased 30 percent of TMM's stock. TMM does not receive either an operating or a construction subsidy. The government has guaranteed loans made by TMM for new construction and, in some cases, ships reportedly have been purchased with partial payment in commodities or fishing vessels.

The Government of Mexico participates in the Caribbean-basin regional multilateral shipping line, NAMUCAR.

Mexico's major shipyards have been nationalized, although there are a number of small private shipyards producing small vessels for the domestic fleets.

The government is investing $22 million to start up the first para-state shipyard, Astilleros Unidos de Veracruz. The shipyard is expected to turnout tankers of up to 80,000 dwt. for Pemex.

Other

There is a provision under the Mexican Export Tax scheme which applies rebates on a progressive scale to exporters if the exporter uses Mexican insurance and carriers.

MOROCCO, KINGDOM OF

ECONOMIC BACKGROUND

Size of Fleet:	46 vessels;	521,000 dwt.
Freighters :	27 vessels;	114,000 dwt.
Tankers :	16 vessels;	309,000 dwt.
Bulk Carriers:	3 vessels;	99,000 dwt.
Other :	0 vessels;	0 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$1,780	$3,629
commodities :	phosphates, foodstuffs	capital goods, foodstuffs, petroleum products
major trading partners:	EEC (France)	EEC (France), U.S.

GNP (1977) :	$11,140,000,000
GNP/capita (1977):	$610

Morocco is the only African country with access to both the Mediterranean Sea and the Atlantic Ocean, which is one reason why 99 percent of its foreign trade is seaborne.

GOVERNMENT AIDS

Cargo Preference

The government of Morocco requires that 40 percent of imports and 30 percent of exports must move on Moroccan vessels.

On 5 November 1979, Morocco and France reached an agreement to split maritime cargo 50:50 on a case by case basis.

Government Ownership

The government owns the Compagnie Marocain de Navigation (COMANAV). Both COMANAV and the state-owned L'Office Cherifien de Phosfat (OCP) are involved in a joint maritime transport venture, MARPHOCEAN, with the French firm GAZOCEAN.

COMANAV has formed a pool with the French firm FABRE to share cargo between the French Mediterranean and Casablanca on a 40:40:20 basis. A similar pool has been formed with French firms (including GEM and UIM) for the northern French ports of Rouen and Le Havre.

A West German shipping firm, OPDR, also has a successful, similar pool with COMANAV for cargoes between Hamburg, Bremen, Rotterdam and Antwerp, and Morocco.

NETHERLANDS

ECONOMIC BACKGROUND

Size of Fleet:	441 vessels;	7,651,000 dwt.
Freighters :	348 vessels;	2,398,000 dwt.
Tankers :	63 vessels;	4,293,000 dwt.
Bulk Carriers:	26 vessels;	941,000 dwt.
Other :	4 vessels;	20,000 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$63,660	$68,206
commodities :	foodstuffs, machinery, chemicals, petroleum products	machinery, transport equipment, crude petroleum
major trading partners:	EEC (Germany), U.S.	EEC (Germany), U.S.

GNP (1977) : $106,930,000,000
GNP/capita (1977): $7,710

Rotterdam, the Netherlands' (and the world's) foremost port, has now completed its expansion into new port areas at Maasvlakte. Europoort, part of the port of Rotterdam, is capable of handling vessels of up to 300,000 dwt. Amsterdam, the Netherlands' second port, can accommodate vessels of up to 170,000 dwt.

The large dry dock at Rozenburg (port of Rotterdam) is able to accommodate vessels in the order of 500,000 tons.

Mainly because of fiscal motives, about 40 percent of Dutch-owned shipping tonnage has not been registered in the Netherlands itself.

During 1978, ships registered in the Netherlands carried 3.5 percent of the total of 319.5 million tons of oceanborne freight (1.7 percent of ingoing - 246.3 million tons - traffic and 9.1 percent of outgoing - 73.2 million tons - traffic).

GOVERNMENT AIDS

Tax Exemption

Ships (apart from leisure craft not used for public transport) are exempt from value added tax (VAT) as are all products and services used in their construction, fitting and repair. No VAT is levied on imported ships.

Direct Subsidies

Dutch owners ordering new vessels are eligible for a 15 percent subsidy on vessel cost and, in certain cases, a special premium of 5.5 percent spread over five years.

Within the framework of restructuring the shipbuilding industry, there will be a cut-down of capacity of about 45 to 50 percent. This reduction will be reached by the end of 1980. To compensate for losses suffered on the building of ships by a group of selected yards which will maintain their newbuilding capacity, the government bears 75 percent of these losses. This support consists of a subsidy of 37.5 percent and deferred loans for the remaining 37.5 percent. The reduction in capacity has from 1977 till 1980 eliminated more than 15,000 jobs.

Interest Subsidy

In conformity with the Understanding of the Organization for Economic Cooperation and Development, the Netherlands government grants interest subsidies (with a maximum of 2 percent) to Netherlands shipbuilders for credits of up to 80 percent of the cost of ships, for a maximum duration of eight and a half years. The interest subsidy consists of the difference between the current market rate of interest, based on the yield of State Bonds, and the minimum net interest rate of 8 percent mentioned in the Understanding. Only those shipyards that are prepared to rationalize their production programs in mutual cooperation and collaborate in research and cost saving activities are eligible for this aid.

Credit Guarantees

Government-guaranteed commercial loans may be given in certain cases to Netherlands shipping companies for investment purposes. No provision is made for any facility with regard to the interest to be paid or to the period of redemption.

For the export of ships, credit insurance with government backing is available in principle.

Customs Duty Exemption

Imported materials for the construction of oceangoing ships, built for the account of Netherlands shipowners or for export, are exempt from customs duties.

Reorganization and Conversion Assistance

In connection with the restructuring measures for the shipbuilding industry, the government created, in certain cases, an investment grant for the reorganization and conversion of a small number of surviving yards. These grants are in addition to the existing general system of premiums for new investments.

Depreciation

At the introduction of direct subsidies, existing tax facilities for ship-owners were withdrawn.

Government Ownership

The government holds a majority of the shares in the NV Stoomvaart Maatschappij Zeeland, a company operating a ferry service across the North Sea jointly with the British Railways. This company operates on a commercial basis.

In connection with the aforesaid restructuring of the shipbuilding industry it has been necessary for the government to take part in an enlarged share capital to strengthen the financial position of some yards. In November 1978, for instance, the Amsterdam Drydock Company took over the NDSM repair yard from the Rhine-Schelde-Verolme (RSV) group. The government is handling the cost of integration and through the National Investment Bank is participating in the share capital. However, the newbuilding division of NDSM will continue under a new company, Netherlands Shipbuilding (NSM) in which ADM, RSV and the government will participate. The government and ADM each have a 35 percent share, RSV owns the remaining 30 percent

Government Purchasing

A number of naval craft are under construction or on order for the Royal Netherlands Navy.

Contribution to Research

The Netherlands Maritime Institute finances the greater part of its maritime research program with government funds. The government also contributes to the Netherlands Ship Model Basin, a private research body.

A reorganization of maritime research is to be carried out in support of the maritime industry.

Other

Netherlands shipbuilding firms are organized in the "Centrale Bond van Scheepsbouwmeesters in Nederland" and in the Scheepsbouwvereniging Hoogezand" to meet their mutual interests. To deepen the insight into technical and structural problems of the shipbuilding industry, these organizations founded the "Stichting Nederlandse Scheepsbouw Industrie" whose main task is to advise the industry on modernization and reconstruction problems and assist the industry in adapting to the changing conditions in the international market.

The shipowners' organization in general is the "Koninklijke Nederlandse Redersvereniging". In addition there are two organizations of owners of coastal shipping, "Het Koninklijk Zeemanscollege De Groninger Endracht" and the "Vereniging van Werkgevers in de Kleine Handelsvaart".

NEW ZEALAND

ECONOMIC BACKGROUND

<u>Size of Fleet</u>:	26 vessels;	256,000 dwt.
Freighters :	18 vessels;	159,000 dwt.
Tankers :	3 vessels;	82,000 dwt.
Bulk Carriers:	5 vessels;	16,000 dwt.
Other :	0 vessels;	0 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$4,699	$4,556
commodities :	agricultural products	machinery, manufactured goods
major trading partners:	U.S., U.K., Japan	Australia, U.K., Japan, U.S.

GNP (1977) : $14,110,000,000
GNP/capita (1977): $4,480

The proportion of New Zeland's overseas trade carried by vessels registered in New Zealand is approximately six percent. The principle carrier is the Shipping Corporation of New Zealand, which was established in 1973, and which currently provides services to the Pacific, Japan, Europe, the West Indies and U.S. Gulf. The two other carriers are the Union Steam Ship Company of New Zealand Ltd. (to Australia and the Pacific) and Maritime Carriers New Zealand Ltd. (to Australia).

The containerization of New Zealand's foreign trade in recent years has involved a substantial investment in container handling and associated facilities at New Zealand's four major ports, which offer container facilities, i.e. Wellington, Auckland, Port Chalmers and Lyttleton. In order to accommodate the rapidly escalating numbers of containers passing through these ports (approximately 215,000 handled during 1978) over $100m has been invested in container related facilities. Other ports in New Zealand are able to handle containers over conventional wharves.

NIGERIA

ECONOMIC BACKGROUND

<u>Size of Fleet</u>:	23 vessels;	492,000 dwt.
Freighters :	22 vessels;	227,000 dwt.
Tankers :	1 vessel ;	265,000 dwt.
Bulk Carriers:	0 vessels;	0 dwt.
Other :	0 vessels;	0 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$17,832	$9,728
commodities :	petroleum, agricultural products	machinery, transport equipemnt, manufactured goods
major trading partners:	EEC, U.S.	EEC, U.S.

GNP (1977) : $40,540,000,000
GNP/capita (1977): $510

The Nigerian National Shipping Lines, Ltd., was incorporated on 5 February 1959 by the Federal Government as part of its policy of participation in private industries of importance to the national economy. Plans are for the company to enlarge its fleet to 31 vessels by 1980.

Nigeria plans to transport to 50 percent of its oil production in its own vessels. Currently it has one tanker of 270,000 dwt. capable of carrying about 2,000,000 barrels of crude oil.

About 90 percent of Nigeria's revenue is derived from oil. Nigeria supplies approximately 20 percent of total U.S. oil imports which represents 58 percent of Nigeria's total oil exports.

Cargo Preference

Nigeria's National Policy on Liner Shipping follows the cargo sharing principles of the UNCTAD Code. However, it also requires all importers and exporters whose business is registered in Nigeria grant priority of their sea freight to the Nigerian National Shipping Line (NNSL) in order to give the national line effective cargo control. NNSL will then be responsible for carving up the cargo on the 40:40:20 basis retaining 75 percent of the total Nigerian allocation for itself and apportioning the remaining 25 percent amongst the other Nigerian lines.

NORWAY

ECONOMIC BACKGROUND

Size of Fleet:	876 vessels;	49,843,000 dwt.
Freighters :	271 vessels;	2,738,000 dwt.
Tankers :	315 vessels;	30,738,000 dwt.
Bulk Carriers:	267 vessels;	16,519,000 dwt.
Other :	23 vessels;	55,000 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$13,477	$13,741
commodities :	metals, pulped paper, fish, products	foodstuffs, motor vehicles, fuels, iron and steel
major trading partners:	EEC (U.K.), Sweden	Sweden, EEC, U.S.

GNP (1977) : $34,560,000,000
GNP/capita (1977): $8,570

Shipping is one of Norway's most important industries, providing in 1979 about 22 percent of Norway's foreign exchange earnings. About 92 percent of Norwegian tonnage is employed in third-flag or foreign-to-foreign trade, and 95 percent of the shipping receipts originated from non-Norwegian sources.

Norway possesses the fifth largest fleet in the world. Norwegian-flag vessels carried 37 percent of Norway's ocean borne foreign trade during 1979. The Norwegian fleet is relatively young and has a high number of specialized vessels.

In 1979, 16 percent of total production hours at Norwegian shipyards were connected with oil activities, 57 percent with newbuildings and the remainder with repair, conversions, and varying types of industrial production.

GOVERNMENT AIDS

Operating Subsidy or Aid

There is no operating subsidy in the foreign trade. Tramp and cargo liner shipping in the domestic coastwise trade are given no financial aid. However, certain combination passenger/cargo liner services which could not be provided otherwise, are granted financial assistance by the government. While most of such companies receiving subsidies are privately owned, a few are owned by groups of municipalities in the district served.

Construction Subsidy

From 31 May 1978 a grant has been available to Norwegian yards for contracts with Norwegian shipowners. The subsidy rate granted has been reduced several times, from a maximum of 20 percent of the contract-value to the existing level of maximum 12 percent.

The financial ceiling of this subsidy scheme for 1980 is NOK 475 million. Because of a limited financial celing not all the applications can be accepted. From 1977 there has also been a subsidy scheme to facilitate new orders from developing countries. The total financial ceiling of NOK 1,175 million is now almost fully utilized. No extension of this scheme is intended by the Government.

Refunds of Customs Duties

There is customs rebate of 6 percent on the sale price of new ships, and 4 percent on the cost of repairs.

Tax Benefits

The taxation-rate of capital in shipping firms organized as share-holding companies is 0.4 percent, while others pay 0.7 percent.

Goods delivered by shipbuilding yards in connection with the building, repairing, and maintenance of ships are exempted from general investment tax which amounts to 13 percent based on the price charged by the seller. However, most investments in manufacturing industries are new exempted as well.

All ships, whether imported or not, are exempt from Value Added Tax.

Capital gains arising from sale or loss of ships may be put in a special fund. This book profit has to be used within eight years (for ships and aircraft) as part finance for a new investment, and the taxes deposited or guaranteed thereon will be released when the gain has been applied to reduce the book value of the acquired ship. The gain may also be written down on existing ships or on the cost price for new building contracts.

Depreciation

Depreciation may not exceed 100 percent of the purchase price. The ordinary depreciation for (1) passenger, cargo, tanker, fruiters, ore carriers, and other ships built for special trades, of 6 to 8 percent per year, and (2) dry cargo ships in ordinary trades, of 5 to 7 percent per year, calculated on the cost of the ships and commencing from acquisition or delivery, must be used each year at the same rate. Furthermore, if the annual rate of depreciation is 6 percent, the owner is not entitled to further depreciation after 17 years even though he has not written off against gross income the total initial cost of the ship.

Owners also have the option of taking one of the two following forms of depreciation:

I. An amount equal to one and one-half the ordinary depreciation for the year in question may be written off, commencing the year a ship is acquired and during the following four years. The accelerated depreciation of this type is, however, limited to 15 percent (1966 and earlier, 10 percent) of the price. (Thus, if 8 percent is chosen for ordinary depreciation this accelerated depreciation might be 4 + 4 + 4 + 3 percent, in which case it would stop after four years.)

II. Alternatively an amount up to 25 percent of the cost may be written off as accelerated depreciation, but if this method is used, the amount cannot exceed 50 percent of "otherwise taxable income". Thus the company will have to pay income taxes on amounts at least equal to what is used for this type of depreciation. This type of accelerated depreciation may commence as soon as the first installment has been paid under a new building contract and the latest opportunity is the fourth year after the ship has been acquired, (new building completed). Both methods shorten the period of ordinary depreciation.

Loans and Interest on Loans

Norwegian credit facilities are small in relation to the requirements of the nation's shipping and shipbuilding industries. Of the total mortgage debts of the shipping industry, about 80 percent has been financed abroad.

According to a decision by Parliament of 29 April 1975 the Ministry of Commerce and Shipping may issue guarantees for loans from foreign credit institutions. The majority of the loans are short-term building loans to shipyards.

Norwegian yards are allowed to offer Norwegian shipowners long-term financing over 12 years at market interest rates, currently (July 1980) about 11 percent, including a grace period of three years. Credits are granted by the Loan Institute for Norwegian Shipyards, and are secured by a second mortgage on the ship. The Institute finances its operations mainly through floating loans, guaranteed by the State, on the Norwegian capital market. The yard must obtain a first mortgage from a private credit institution. In accordance with an agreement between Norwegian shipyards and the Government, the total long-term financing of a ship is limited to 80 percent of the contract price.

To facilitate a reorganization and conversion a public support scheme has been established. Loans are granted for up to 60 percent of the cost of restructuring. The loans can be granted over 8 years and with no interest or down payment during the first 3 years. The interest level of the loans for the last 5 years is 8 percent. This scheme is available to the yards as well as to subcontractors and has for 1980 a financing ceiling of NOK 190 million.

In December 1975 the Norwegian Guarantee Institute for Ships and Drilling Vessels A/S was established. The purpose was to prevent modern Norwegian vessels from being sold abroad because their owners were unable to meet their financial obligations. The Guarantee Institute has issued state guarantees for private loans to achieve this. The total ceiling for such guarantees is set to 4 billion kroner. As of March 31, 1980, the Institute's outstanding liability under the guarantees was 3.1 billion kroner.

A new arrangement was established last year to give guarantees in connection with the buying of secondhand ships, from Norwegian or foreign sellers. Such guarantees will be operated within a ceiling of 300 million kroner, covered under the total figure of 4 billion kroner.

Research

Various institutes carry out shipbuilding research and receive some public financial support under the so-called "Shipbuilding Plan". Grants can be up to 65 percent of the cost of the project, and loans up to 85 percent of the cost of the project. In 1980 the Norwegian government made an appropriation of N.Kr. 15 million to promote research and development in the shipbuilding industry. Through the Committee for Shipping Research, N.Kr. 26.2 million is granted in 1980 to several institutions.

Other

The Norwegian government grants permission for Norwegian owners to register some of their tonnage in foreign countries under certain circumstances, such as a way to accommodate cargo preference rules of other countries.

Under Norwegian law the master and at least 2/3 of the crew of a Norwegian-flag vessel must be Norwegian.

The government pays 50 percent of the repatriation-costs of seamen. In 1979 the total government subsidy amounted to $2.6 millions.

Norwegian sailors pay considerably less income-taxes than other Norwegians. This is of great help to the shipowners, but, as income for sailors is higher than for comparable groups working on land, the total tax revenue would not have been much larger, had all the sailors been working on land.

PAKISTAN

ECONOMIC BACKGROUND

<u>Size of Fleet</u>:	48 vessels;	570,000 dwt.
Freighters :	41 vessels;	500,000 dwt.
Tankers :	0 vessels;	0 dwt.
Bulk Carrkers:	1 vessel;	17,000 dwt.
Other :	6 vessels;	53,000 dwt.

Foreign Trade: (1979)

		exports	imports
value (million US$)	:	$1,836	$4,482
commodities	:	cotton, rice	foodgrains, crude oil, machinery, transport equipment
major trading partners:		EEC, Japan, U.S.	U.S., Japan, EEC

GNP (1977) : $15,070,000,000
GNP/capita (1977): $200

Pakistan's merchant fleet was nationalized on January 1, 1974.

The major shipping company is the National Shipping Corporation which specializes in liner services, while nine smaller companies, which have been merged to form the Pakistan Shipping Corporation, concentrate on the pilgrim-passenger services and dry cargo tramp operations. Under the 1975-80 plan period, the government expects to arrange funds to acquire 19 vessels of various types.

Approximately 15 percent of Pakistan's trade is carried on Pakistani-flag vessels.

GOVERNMENT AIDS

Construction Subsidy or Aid

The government grants a construction differential subsidy of up to 40 percent of building cost for ships built by the Karachi Shipyard and Engineering Works (KSEW).

Tax Benefits

Fuel oil and lubricants for coastal shipping are exempt from customs duty and sales tax.

Pakistan's shipbreaking industry is exempt from taxes until July 1984. Licenses for the import of ships must be channeled through the shipbreakers committee.

Loans and Interest on Loans

Under the current development plan, the government will finance the purchase of ships and will be repaid by shipping companies under a special "pay-as-you-earn" scheme.

Foreign loans and credits at suitable rates of interest are arranged by the government and allocated to the companies for purchase of ships.

Cargo Preference and Cabotage

All official and semi-official agencies (except those importing goods under United States Agency for International Development Programs) purchase marine insurance from such Pakistani companies as have joined the national co-insurance scheme administered by the Pakistan Insurance Corporation.

Coastal shipping is restricted to Pakistani-flag ships when available.

Half of U.S. and World Bank aid is reserved to national flag ships.

Cargo preference is practiced among participants in international shipping conferences which reserve a portion of the conference trade to Pakistani ships.

In late 1977, the Government of Pakistan announced that it would henceforth allocate most of the cargo it controls to either the National Shipping Corporation or the Pakistan Shipping Corporation. A government department will be created to coordinate cargo liftings for the two companies.

Government Ownership

The National Shipping Corporation was established by the government in September 1963 with 25 percent share capital in the public sector and the balance of 75 percent in the private sector, but was nationalized in 1974, as was the Pakistan Shipping Corporation (a merger of nine smaller companies).

The Karachi Shipyard and Engineering Works Ltd., the only national shipbuilding yard, is run on commercial lines and is controlled by a semi-autonomous body, the West Pakistan Industrial Development Corporation.

PANAMA

ECONOMIC BACKGROUND

Size of Fleet:	2,167 vessels;	32,509,000 dwt.
Freighters :	1,572 vessels;	12,057,000 dwt.
Tankers :	251 vessels;	12,617,000 dwt.
Bulk Carriers:	309 vessels;	7,604,000 dwt.
Other :	35 vessels;	231,000 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$734	$3,105
commodities :	bananas, petroleum products, shrimp	manufactures, transportation equipment, crude petroleum, foodstuffs
major trading partners:	U.S., Netherlands, Switzerland	Japan, U.S., Italy, Switzerland

GNP (1977) : $2,120,000,000
GNP/capita (1977): $1,200

Panama's merchant fleet is almost entirely foreign-owned. It is estimated that United States interests own 51 percent of the tonnage and that most of the remainder is owned by Greek, Hong Kong, Italian, and Japanese interests.

Ships may be registered in Panama subject to the following:

1. There is an initial registration fee of $1 per net ton plus other minor fees such as provisional permit of navigation of $20 and a permanent permit of navigation of $25. There is an annual tax of 10¢ per net ton and a single annual appraisement, levied on gross tonnage as follows:

1 to 1,000 gross tons	$ 720 per year
1,000 to 5,000 gross tons	$1,200 per year
5,000 and over gross tons	$1,800 per year

2. There are no provisions as to the qualifications of the crew except that they must be 18 years of age or over. Officers do not have to be Panamanian citizens but at least 10 percent of the total crew must be of Panamanian nationality if available at the port at which they are signed on.

3. The Government of Panama does not require the shipping companies to withhold income tax from member's salaries, provided that the services are not rendered while the ship is on coastal trade or performing work in the navigable waters of the Republic of Panama (this does not include the crossing of the Panama Canal).

4. Article 708 of the Fiscal Code of Panama exempts from payment of taxes "income obtained from international shipping by national merchant vessels legally registered in Panama, even though the contracts are entered in the country."

5. Vessels accepted for registration in Panama must pass safety inspection in accordance with the 1960 Safety of Life at Sea Agreement (SOLAS). Panama retains the services for the periodical inspections of LLOYD'S REGISTER OF SHIPPING, AMERICAN BUREAU OF SHIPPING, BUREAU VERITAS, DET NORSKE VERITAS, GERMANISHER LLOYD, etc.

GOVERNMENT AIDS

Cabotage

While there is no restriction to the operation of foreign ships in Panama's territorial waters, coastal shipping is restricted to Panamanian-flag ships.

However, Cabinet Decree No. 15 of January 27, 1972, provides that foreign vessels that dock at ports which are not government approved or operated or that carry out commercial activities in the navigable waters of the Republic, may obtain from the General Directorate of Shipping and Consular Affairs a permit allowing them to take part in coastal shipping, provided there has been a previous designation of fiscal agents and payment of a tax which will not exceed U.S. $150 per trip or operation.

A fishing license is required for all vessels fishing for commercial purposes in the navigable waters of the Republic of Panama. Failure to obtain the license will result in a fine of from ten thousand dollars to a hundred thousand dollars.

PERU

ECONOMIC BACKGROUND

Size of Fleet:	41 vessels;	630,000 dwt.
Freighters :	23 vessels;	253,000 dwt.
Tankers :	8 vessels;	113,000 dwt.
Bulk Carriers:	9 vessels;	260,000 dwt.
Other :	1 vessel;	5,000 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$2,893	$2,670
commodities :	copper, silver, fish and fish products, minerals	foodstuffs, machinery transport equipment, iron and steel, semi-manufactures
major trading partners:	U.S., Japan	U.S., EEC (Italy)

GNP (1977) : $11,800,000,000
GNP/capita (1977): $720

Ocean transportation is of particular importance to Peru because of the country's 1,250 mile coastline and poor land access to neighboring markets. Approximately 98 percent of Peru's foreign trade moves by sea.

Peru's most important shipping firms are Consorcio Naviera Peruana S.A. (CNP) and the state-owned Corporacion Peruana de Vapores (CPV), which control most of Peru's ocean-going tonnage.

GOVERNMENT AIDS

Operating Subsidy or Aid

Corporacion Peruana de Vapores (CPV) receives a subsidy from government revenues derived from part of the 4 percent tax on export and import freights.

Construction Subsidy or Aid

The Law of January 9, 1962, authorized the establishment of a naval construction industry providing for 51 percent government participation. The cost is provided by revenue from export and import taxes. After the government has fulfilled its obligation to this industry, the remainder of the money goes to CPV for the purchase of ships, or their construction in Peru.

By Ministerial Resolution of June 12, 1972, no more purchases are allowed in Peru of foreign vessels similar to those built in Peruvian shipyards until the Naval Industry Commission, formed earlier in the same month, presents its recommendations to the government on the development of the naval industry.

All Peruvian-flag vessels must be repaired only by Peruvian shipyards, unless the owners can show that the national shipyards do not have the capacity for a specific job. Repairs abroad may be made only in case of emergency.

Taxation

CPV is exempt from all taxes.

Loans and Interest on Loans

The Law of January 9, 1962, also authorized the Industrial Bank of Peru to grant credits, guaranteed by the government, of no less than 80 percent of the cost of the construction of ships. The interest shall not exceed that charged by the official financial institution of the countries participating in the transactions and in no case to exceed 7 percent per annum on outstanding balances.

Cargo Preference, Cabotage, and Bilateralism

Coastal shipping is reserved to Peruvian-flag ships.

A Peruvian Government decree of January 25, 1966, established that up to 50 percent of Peruvian exports and imports (calculated on a monthly basis) must be reserved for Peruvian shipping lines. In practice this started at 30 percent and permitted a periodic increase to bring it up to 50 percent, to which it was raised by Decree of June 2, 1970.

Decree 22067 of January 11, 1978, obliges public sector entities to contract Peruvian-flag shipping lines for the maritime transportation of non-conference articles for import or export.

These cargoes should be carried with priority in (a) CPV vessels; (b) Peruvian-flag vessels; (c) foreign-flag vessels chartered to Peruvian companies; with absolute priority to CPV vessels.

Tax rebates are figured on F.O.B. value for non-Peruvian-flag carriers and on C.I.F. value for Peruvian-flag carriers.

Drydocking fees are five cents per ton for Peruvian ships and fifteen cents per ton for foreign ships.

The Law of February 8, 1957, provides that national-flag ships shall pay 50 percent of the regularly prescribed fee only for ship clearances, but regular fees for certification of consular invoices and bills of lading. The prescribed fee amounts to $80 for vessels of over 5,000 registered tons and must be paid at each port of call in transit to Peru whether or not cargo for Peru is taken on at the intermediate ports. This law has been implemented.

Peruvian-flag ships pay about 40 percent less than foreign-flag ships in Callao and 50 percent less in other ports for mooring and unmooring.

Wharf demurrage, as well as charges for vessels docking solely for repairs, fueling, or other services, is less for Peruvian-flag vessels than for foreign-flag vessels.

Peru has agreements with Brazil and Argentina whereby the parties to the agreement have a right on equal terms to transport the cargoes and share the freight receipts derived from their bilateral trade.

Government Ownership

CPV is government-owned.

The Naval shipyards (Sima) have been converted into a state-owned company.

PHILIPPINES

ECONOMIC BACKGROUND

Size of Fleet: 172 vessels; 1,557,000 dwt.

Freighters :	120 vessels;	657,000 dwt.
Tankers :	31 vessels;	501,000 dwt.
Bulk Carriers:	12 vessels;	376,000 dwt.
Other :	9 vessels;	24,000 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$4,576	$6,563
commodities :	coconut products, sugar, logs and lumber, copper concentrates, nickel	petroleum, industrial equipment, wheat
major trading partners:	U.S., Japan, EEC	U.S., Japan, EEC

GNP (1977) : $20,410,000,000
GNP/capita (1977): $460

Shipping is of major interest in the Philippines, with its 74 national ports, 528 municipal ports and almost 220 private ports under 18 ports management units spread throughout the 7,100 islands. There is extensive inter-island shipping and a growing participation in international shipping. In 1978, Philippine flag vessels carried 19.4 percent of Philippine foreign trade (21.34 percent of imports and 16.67 percent of exports) in terms of volume.

In 1974, the Maritime Industry Authority (MARINA) was established to coordinate activity in the field of maritime development. It gives special attention to the expansion of the merchant fleet, focusing on the early replacement of obsolete and uneconomic vessels, and the raising of domestic capability for shipbuilding and repair.

It has been reported that the Philippine government plans to invest over $1 billion in shipbuilding over the next ten years.

GOVERNMENT AIDS

Loans and Interest on Loans

The lending program for inter-island shipping under the IBRD credit line of the Development Bank of the Philippines has been directed largely for long-term financing of capital investments, e.g. acquisition of new ships outside the Philippines; acquisition of used ships outside the Philippines of not more than 12 years old; acquisition of domestically-built new ships; and for the conversion and major repairs of ships of the inter-island fleet of the Philippines of not more than 16 years old. Eligible for this lending program are self-propelled and navigable steel hull vessels, other than fishing boats, to be used in the inter-island trade.

Maximum amount of accommodation for the acquisition of new ships built both internationally and domestically is 80 percent of the cost of the ship, with a maximum maturity period of sixteen (16) years including a grace period of two (2) years maximum as to principal from date of loan agreement with borrower.

The acquisition of used ships outside the Philippines of not more than 12 years old is allowed a maximum amount of 60 percent of the cost of the ship. Additional financial assistance is offered in the form of a peso loan (for the purchase of foreign exchange) or a guarantee of foreign credits to cover part of the acquisition cost of used ships of not more than 12 years old outside the Philippines not covered under the World Bank credit line provided: that the total amount granted under both the World Bank credit line and supplemental financial accommodation shall not exceed 80 percent of the cost of the vessel acquired; that the supplemental financial accommodation shall be covered by other collaterals in addition to the ship to be acquired; and that the foreign exchange remittance or foreign guarantee accommodation shall have the approval of the Central Bank. Repayment of the loan shall be within a maximum of twelve (12) years including a grace period of six (6) months maximum as to principal from date of loan agreement with borrower. For the peso loan, a maximum of ten (10) years including a grace period of six (6) months maximum as to principal from date of loan agreement with borrower is allowed. DBP charges for guarantees shall apply as follows: 1-1/2 percent of the amount guaranteed upon issuance of the guarantee; 1-1/2 percent yearly after date of issuance of letter of guarantee or unavailed amount under guarantee; and 3 percent per annum based on outstanding obligation under guarantee from date of guarantee. Terms and maturity dates shall conform with Central Bank approval.

For the conversion and major repairs of ships of the inter-island fleet of the Philippines of not more than 16 years old, a maximum of 75 percent of the cost of the conversion and/or major repair not exceeding the cost of similar vessel with the same specifications and age as may be determined by DBP's technical staff is allowed. However, the maximum amount of the loan under both the World Bank credit line and the DBP supplemental financial accommodation shall not exceed 75 percent of the total project cost. Repayment period for this type of loan is five (5) years including a grace period of one (1) year maximum as to principal from date of loan agreement with borrower.

The supplemental financial accommodation shall be covered by real estate and/or other acceptable collaterals such as real estate and improvements, machinery and equipment, as well as ships.

All types of loans under the World Bank credit line's lending program for inter-island shipping carry interest rates of 16 percent per annum on portions of loans fully secured by land and 18 percent per annum on portions not secured by land.

Tax Incentives

In accordance with Presidential Decree No. 764 signed on 7 August 1975, corporations which are at least 60 percent Philippine-owned and are engaged or which shall engage exclusively in overseas shipping business or in the construction of modern boats for overseas shipping shall be exempt from the payment of income tax derived from his or its overseas shipping business until 1985. PD 215 dated 16 June 1973 likewise exempts such corporations' importation of ocean-going vessels from the 10 percent customs duty and the 7 percent compensating tax. A Memorandum of the President to the Central Bank and to the MARINA dated 5 March 1975 provides also for the exemption from the 50 percent marginal deposit as well.

Government Incentives

To help further the development of the maritime industry in the Philippines, several measures have been taken with the objective of providing assistance and incentives to the domestic, overseas, and shipbuilding/shiprepair sectors of the industry.

On 31 July 1975, PD 760 authorized temporary registration by MARINA of foreign-owned vessels under time charter or lease to Philippine nationals for use in the Philippine coastwise trade provided: that there is a prior written approval of the MARINA that it is valid and effective for not less than 5 years and exclusively for Philippine coastwise trade use; that the operation is entirely in the hands of Philippine nationals, with 100 percent Filipino crew, except in the case of a specialized fishing vessel.

PD 878 authorized the National Development Co. to assist local shipbuilders and persons and entities engaged in inter-island shipping, and appropriated the sum of ₱200M to be used for the construction, purchase, or acquisition of inter-island vessels for the purpose of resale, lease or charter to persons, associations or corporations (at least 60 percent Filipino) engaged in inter-island shipping.

The Board of Investments has likewise included as a preferred investment area, under the Public Utilities Priorities Plan, inter-island shipping and directly related facilities essential to the efficient operation of ships. Shipping companies registered under the PUPP program shall enjoy the incentives under RA 5186 such as deduction of organizational and pre-operating expenses over a period of not more than ten years accelerated depreciation of fixed assets; net operating loss carry-over for the next six years immediately following the years of such loss, within the first ten years of operation; tax exemption on imported capital equipment; tax credit on domestic capital equipment; tax credit on withholding tax on interest; and tax deduction for expansion re-investment.

The overseas sector has likewise enjoyed quite a number of incentives during the past few years. On 5 March 1975, PD 664 was issued directing that all dollars required by Philippine-registered ocean-going vessels, or by operators of ocean-going vessels of Philippine registry for the purchase of vessels, repair and improvement, engines, spare parts, accessories, supplies and other expenses required for the operation of the vessels in foreign ports or in the high seas, be made available by the Central Bank or by any other agency in charge of dollar controls subject to the rules and regulations of the Central Bank, free of exchange tax.

PD 666 provides incentive-benefits to the shipbuilding and ship repair industry such as: exemption from import duties and taxes; accelerated depreciation; exemption from contractor's percentage tax during the first ten years of registration with the MARINA, provided that such registration is effected not later than the year 1990; and exemption from filing of the Certificate of Public Convenience.

PD 744 provides that for the purpose of financing the construction of shipbuilding structures and facilities and for the purchase or acquisition of necessary equipment needed for shipbuilding funds shall be available in the form of loans to citizens of the Philippines or to associations or corporations organized under the laws of the Philippines, at least 60 percent of the capital of which is Philippine-owned, engaged in shipbuilding and ship repair and registered with the BOI.

PD 1221 requires all Philippine-owned and/or registered vessels to undertake repairs and drydocking with MARINA-registered ship repair yards in order to avoid repairs done abroad being paid in foreign currency resulting in a depletion of the country's foreign currency resources.

Cargo Preference

PD 806 enunciates the Government's desire to take all steps necessary, including the provision of direct incentives to Philippine flag vessels and national shipping lines to enable them to carry a substantial and increasing share of the cargo generated by Philippine foreign trade and to accelerate the expansion and modernization of the Philippine marine fleet. The Decree provides that vessels which are owned or controlled, or chartered by Philippine nationals shall have at least equal shares as vessels of another country in the carriage of international cargo between the Philippines and that country.

On 26 February 1976, PD 894 was signed requiring government offices, agencies, instrumentalities and government-owned or controlled corporations, persons and entities enjoying tax exemption incentive or subsidy from the government to utilize in international transportation the services of Philippine shipping lines. This Decree was further amended by PD 1466 which provides for a more effective mechanism to implement the provisions of the aforementioned decrees. PD 1466 also narrowed down the broad provisions of PD 894 by providing that only the export and import cargoes of the following are required to be transported by Philippine flag vessels: (1) any office, agency or instrumentality of the government, including all government-owned and controlled corporations, when the payment for the carriage of such cargoes is made or will ultimately be made from funds of the government or such instrumentalities or corporations; and (2) any person, partnership, corporation or entity granted a loan or credit or whose obligation is guaranteed by the government or any of its financial institutions, whenever the transportation and/or such cargoes are paid from the proceeds of such loans, credits and/or guarantees. The Decree also provides for waiver in whole or in part in specific instances.

The freight Booking and Cargo Consolidation Center of the Philippine Shippers' Council serves as the central implementing agency for the sea-borne aspects of the Decree.

Government Ownership

The government-owned Philippine National Lines was established by PD 900. Its objective is to assist in the private sector's acquisition program and to supplement shipping services provided by private shipping companies. It shall undertake all manner of business activity for the establishment of a reliable shipping

service that shall include but not be limited to the ownership, lease, charter, management and operations of merchant vessels, whether for cargo or for passenger on a scheduled, non-scheduled or charter basis on domestic and/or international scale ship brokerage and other related or supportive activities; and the ownership, establishment, management and operation of shipbuilding and ship repair facilities in order to provide adequate services to the shipping industry.

ECONOMIC BACKGROUND

<u>Size of Fleet</u>:	84 vessels;	1,766,000 dwt.
Freighters :	52 vessels;	417,000 dwt.
Tankers :	24 vessels;	1,211,000 dwt.
Bulk Carriers:	4 vessels;	116,000 dwt.
Other :	4 vessels;	21,000 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$3,480	$6,529
commodities :	cotton textiles, cork and cork products, timber and timber products	petroleum, cotton, industrial machinery, iron and steel
major trading partners:	EEC, U.S.	EEC, U.S.

GNP (1977) : $17,580,000,000
GNP/capita (1977): $1,840

In 1977, 92 percent of Portugal's foreign trade moved by sea and the national fleet carried about 29 percent of it. In 1978 these percentages were 92 and 20, respectively.

GOVERNMENT AIDS

Subsidies

Resolution No. 283/77 of 5 November 1977 authorized the Fund for the Reconstruction of the Merchant Marine to guarantee a loan of DM 9,600,000 to Companhia Nacional de Navegacao (CNN) to finance the vessel QUIMICO LEIXOES.

Resolution No. 78/78 of 24 May 1978 authorized the granting to Navegacas de Portugal (NAVIS) a non-reimbursable subsidy of 1,200 million escudos and of 70 million escudos to Transtejo.

Resolution No. 102/78 of 26 June 1978 appropriated 120 million escudos to increase the state capital of NAVIS.

Resolution No. 265/79 of 18 August 1979 granted a non-reimbursable subsidy of 9,781,000 dollars to Estaleiros Navais de Viana do Castelo for the construction of two oil tankers for Sacor Maritima.

Resolution No. 359/79 of 21 December 1979 granted NAVIS, Companhia Nacional de Navegacao (CNN), and Companhia Portuguesa de Transportes Maritimas (CTM) a total subsidy of 225,000,000 escudos.

Resolution No. 144/80 of 24 April 1980 granted CTM a subsidy of 200,000 escudos.

Resolution No. 145/80 of 24 April 1980 granted CNN a subsidy of 166,667,000 escudos.

Fund for the Renovation of the Merchant Marine (FRMM)

Until 1973 the FRMM granted loans to the fleets on the value of 2,706,250 contos. Since then the fund has not granted any financing. However, since May 1980, loan guarantees in the amount of 485,892 contos have been granted. The FRMM has not granted any non-reimbursable subsidies.

National Enterprises

Decree-Law No. 77/80 of 16 April 1980 ended NAVIS and the public status of CNN and CTM.

SAUDI ARABIA, KINGDOM OF

ECONOMIC BACKGROUND

Size of Fleet: 61 vessels; 2,115,000 dwt.

Freighters :	28 vessels;	137,000 dwt.
Tankers :	28 vessels;	1,882,000 dwt.
Bulk Carriers:	3 vessels;	91,000 dwt.
Other :	2 vessels;	5,000 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$56,329	$26,265
commodities :	petroleum and petroleum products	manufactured goods, transportation equipment, construction materials
major trading partners:	Japan, U.S., EEC, Spain	U.S., EEC, Japan

GNP (1977) : $55,210,000,000
GNP/capita (1977): $7,230

GOVERNMENT AIDS

Subsidies

Saudi-flag vessels receive markedly lower bunkering rates.

Cargo Preference

A Royal Decree requires that Saudi-flag vessels be used provided they are equal in ability, quality and performance.

SINGAPORE

ECONOMIC BACKGROUND

Size of Fleet:	631 vessels;	11,993,000 dwt.
Freighters :	428 vessels;	3,749,000 dwt.
Tankers :	112 vessels;	5,538,000 dwt.
Bulk Carrkers:	77 vessels;	2,629,000 dwt.
Other :	14 vessels;	78,000 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$13,456	$17,886
commodities :	(re-exports), petroleum products, rubber, manufactured goods	(goods re-exported), retained goods are capital equipment, manufactured goods, petroleum products
major trading partners:	U.S., Japan, EEC	Japan, U.S., EEC

GNP (1977) : $6,540,000,000
GNP/capita (1977): $2,820

In 1979, a total of 47,425 vessel arrivals and departures were recorded at the Port of Singapore. The aggregate size of these vessels was 299.5 million NRT. Seaborne cargo handled by Singapore was 79.8 million tons, 53.3 million tons were mineral-oil-in-bulk, 26.5 million tons were general cargo and dry bulk. The Port is administered by the Port of Singapore Authority, a statutory board under the purview of the Prime Minister's Office.

During 1979, Singapore-flag vessels carried 10 percent of Singapore's total seaborne trade (11 percent of imports and 10 percent of exports.)

The Port of Singapore can berth more than 30 vessels at any one time and contains large storage facilities both inside and out of foreign trade zones.

Because of its strategic location, Singapore's shipbuilding and ship repair industries have been growing steadily. Currently there are more than 60 shipyards in Singapore with a total dry dock capability of 2.2 million dwt.

The Development Bank of Singapore has financing schemes for domestic and foreign ship buyers. Financing is available for the construction of vessels above 100 grt. (including tugboats above 500 bhp), oil rigs, and dredges, but not for military craft which are not used for the transportation of goods or persons. Loans are also available for major conversion works on vessels with a contract value of not less than S$1 million. The converted vessel must be a cargo or passenger carrying vessel.

Domestic purchasers of vessels can receive up to a maximum of 85 percent of the contract value or S$20 million, whichever is lower. Foreign purchasers of vessels can receive up to a maximum of 80 percent of the contract value or S$20 million, whichever is lower.

Purchasers (both domestic and foreign) of oil rigs can obtain loans, up to a maximum of 50 percent of the contract value or S$20 million, whichever is lower.

All projects are subject to government approval.

Interest rates for loans for vessels over 5,000 dwt. are set at the prevailing OECD rate (currently 8 percent per annum); for vessels under 5,000 dwt. but above 100 grt., including tugboats above 500 bhp. and dredges, is fixed at a maximum of 8 percent per annum.

The interest rate for oil rigs is fixed at 9½ percent per annum for Singapore dollar loans and 10½ percent per annum for United States dollar loans.

Loan disbursements are made in the proportion of the loan quantum approved on the amount payable under the shipbuilding contract. Alternatively, disbursement may also be made for the backend payment under the shipbuilding contracts.

Domestic purchasers of vessels have up to a maximum of 10 years after delivery, inclusive of a maximum grace period of 2 years, to repay the loan. Oil rig buyers and foreign purchasers of vessels have up to 8½ years to repay the loan.

Under special circumstances financing for vessels over 500 grt. built by local shipyards for local buyers can be up to 90 percent of the contract value repayable over a maximum period of 12 years after delivery inclusive of a maximum grace period of 3 years.

Government Ownership

The government has equity participation in the Neptune Orient Lines, Ltd., the Keppel Shipyard and the Sembawang Shipyard, Ltd. It also has partial ownership of the Jurong Shipyard, Mitsubishi Singapore Heavy Industries and a number of small shipyards.

Other

There are several shipping associations in Singapore which represent the various interests of the shipping industry. They are the Singapore Shipping Association which represents the local shipowners; the Singapore Shipowners' Association where most of the members are ship agents acting as proxies for foreign shipowners; the Singapore Barges and Tugs Association; and the Shipping Agents and Brokers Association of Singapore. In 1979, a national body of shipowners, the Singapore National Shipowners' Association was established. Membership in this association is open to shipowners which have at least 51 percent Singapore shareholdings. The association also provides affiliate membership for the other existing shipping associations.

The Singapore Shipping Association and the Indonesian Shipowners Association signed an agreement in 1975 which provided for a 50/50 cargo sharing by association members in the trade between the two countries.

Singapore-Soviet Shipping Company (Sinsov) is a 50/50 venture between Soviet and Singapore interests.

Registration Requirements

Foreign-owned ships of less than 1,600 grt. cannot be registered. Ships 1,600 grt. or above must be less than 15 years old in order to be registered.

A ship is considered foreign-owned if it is owned by one of the following:

a) foreign national
b) company incorporated outside Singapore (more than half of the share of that company must be owned by nationals of the country in which the company is incorporated).
c) company incorporated in Singapore but where half or more of the shares of the company are owned by foreigners.

There is no restriction on the size of locally owned vessels that may be registered, but age limits have been set so that by 1 January 1984, only ships of less than 15 years may be registered.

SOUTH AFRICA

ECONOMIC BACKGROUND

Size of Fleet:	35 vessels;	746,000 dwt.
Freighters :	27 vessels;	404,000 dwt.
Tankers :	2 vessels;	61,000 dwt.
Bulk Carriers:	6 vessels;	282,000 dwt.
Other :	0 vessels;	0 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$18,231	$8,402
commodities :	agricultural products, metallic ores, gold	motor vehicles, machinery, metals, petroleum products
major trading partners:	U.S., EEC (U.K., Germany), Switzerland, Japan	EEC (U.K.,Germany), U.S., Japan

GNP (1977) : $37,640,000,000
GNP/capita (1977): $1,400

Foreign trade is of vital importance to South Africa, whose imports are equal to nearly 19 percent of GDP and whose exports provide nearly 14 percent of GNP. Consequently, shipping is of great interest to South Africa. The merchant fleet is growing, as is the ship repair industry which has benefited from the increased traffic around the Cape of Good Hope resulting from the Suez Canal closure. Cape Town and Durban are the centers of activity in South African ship repair and shipbuilding.

Two container berths are operational at Cape Town. The container facilities at this port provide, among others, stacking space for 13,900 containers for international trade and 4,240 containers used in the coastal trade.

At Durban, South Africa's biggest port, a container terminal has been established on a 125.7 hectare site, with five deepsea container berths. In addition, the port has a terminal grain elevator of 38,100 ton storage capacity, with a shipping gallery. Electrically driven applicances for the loading of coal, anthracite, coke, manganese ore, iron ore and ferro-alloys, are also available.

At Port Elizabeth, container facilities capable of handling 5,000 containers per month, have been provided.

Saldanha Bay has been developed as an iron ore export terminal. The habour was completed in September 1976 and in its first year of operation, more than ten million tons of iron ore have been shipped from the port. Apart from iron ore, the new harbour will also be used for the shipment of ore concentrates, zinc, lead, copper and certain containerized cargoes.

Richards Bay was the first new South African harbour to be consturcted since 1910 at a total investment, including a new 500 km rail line, of R700 million. The harbour became operational on 1 April 1976 and is presently being used mainly for the export of coal.

South African-flag vessels carried approximately 32 percent of South Africa's oceanborne foreign trade in 1977 (38 percent of imports and 26 percent of exports).

GOVERNMENT AIDS

Construction Subsidy or Aid

1. The government has promulgated measures for the promotion of the South African shipbuilding industry as follows:

(a) the level of any subsidy granted will be at a fixed rate of 25 percent of the contract price in respect of ships of 500 gross registered tons and larger, but smaller than 6,000 gross registered tons;

(b) in respect of ships of 200 gross registered tons and larger but smaller than 500 gross registered tons such subsidy will be at a fixed rate of 10 percent of the contract price;

(c) a higher rate of assistance may, in exceptional cases, be considered and the extent of the assistance to be granted in such cases will be determined in accordance with the merits of each application. Assistance may likewise be considered in exceptional cases in respect of ships smaller than 200 and larger than 6,000 gross registered tons and a subsidy may also be considered in respect of contracts for Government Agencies when the extent of the subsidy will depend on the position after the difference between the overseas tender price plus the existing import duty and the local tender

price less preference afforded in respect of local content has been established;

(d) the subsidy will, except in respect of contracts for government agencies, in future be based on the local contract price only and comparable overseas tender prices will not be insisted upon;

(e) assistance in respect of foreign contracts is considered, on the same conditions as outlined above, but all applications will have to be submitted beforehand to the Treasury for approval;

(f) the quantum of assistance in each case will not be directly dependent upon the profitability of the shipbuilder concerned, but the position will be reconsidered in the event of shipyards earning more than 7.5 percent (after tax) on paid-up capital plus share premiums and reserves employed in its shipbuilding activities.

2.

(a) The government will, where necessary, guarantee the repayment of capital and interest on loans negotiated by shipyards for extending credit to approved buyers, on condition that the credit allowed shall not exceed 80 percent of the contract price, that the credit will be limited to a maximum period of 10 years, and that the amount will be systematically repaid over this period;

(b) the aid scheme was extended since 6 March 1978 to include also the rebuilding and reconstruction of ships and other floating vessels and installations with a <u>minimum</u> building cost of R500,000. Preference will, however, be given to the construction of new vessels.

(c) the government will also subsidize the interest on the aforementioned loans to such an extent that the prevailing interest rate on the loan will be reduced by 2 percent per annum.

SPAIN

ECONOMIC BACKGROUND

Size of Fleet:	495 vessels;	12,733,000 dwt.
Freighters :	288 vessels;	1,308,000 dwt.
Tankers :	131 vessels;	9,340,000 dwt.
Bulk Carriers:	63 vessels;	2,035,000 dwt.
Other :	13 vessels;	50,000 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$18,208	$25,437
commodities :	iron and steel products, machinery, fruits and vegetables, textiles, footwear	fuels, machinery, chemicals, iron and steel
major trading partners:	EEC, U.S.	EEC, U.S., Saudi Arabia

GNP (1977) : $118,170,000,000
GNP/capita (1977): $3,260

Spain has a particular interest in international shipping because most of the country's foreign trade is oceanborne. During 1976 Spanish-flag vessels carried 46.2 percent of Spain's oceanborne foreign trade (53.6 percent of imports and 17.5 percent of exports).

Spanish ports handled an estimated 191,000,000 tons of cargo in 1976, and may be required to handle 290,000,000 tons by 1980. The port at Bilbao is being expanded to accommodate vessels of 150,000 dwt. fully-laden or partially-laden vessels of 500,000 dwt.

Spain's shipbuilding industry has been one of Spain's most dynamic industrial sectors. Spanish shipyards delivered 1,506,400 gross tons in 1974, and are expected to deliver 3,000,000 gross tons in 1980. The largest shipbuilding firm is the partially government-owned Astilleros Espanoles with eight shipyards. The shipbuilding industry is being restructured because of the depressed market conditions.

In 1977 the national ship repair total was 2,669 vessels totalling 10,152,734 gross tons, of which 40 percent was for foreign owners.

Spain's merchant fleet is now the fifth most modern in the world. Some 50 percent of its tonnage is under 5 years old and 79 percent under 10.

GOVERNMENT AIDS

Operating Subsidy or Aid

(A) High seas shipping: Annual subsidies are paid to two private companies for special services in the national interest of the Spanish State.

(B) Coastal shipping: In accordance with Spanish Law, a company has the right to be paid for the losses generated in the operation of coastwise trade since it is considered a public utility.

Construction Subsidy

There is a shipbuilding subsidy of 5.5 percent of the official valuation for all ships whose construction was authorized in 1979. An additional subsidy of up to 9.5 percent (making a 15 percent subsidy possible) is available to assist in finalizing export operations which are judged necessary to guarantee an adequate workload for the shipyards.

The Ministry of Industry, upon prior consultation with the Ministry of Transport and Communications, may grant an additional subsidy for newbuildings under 12,000 grt. for the Spanish flag which serve in foreign trade. The subsidy is established according to the type of vessel: passenger vessels, fast cargo liners, cellular container ships, Ro/Ros, car transporters, barge carriers, and LNG carriers--9.5 percent (15 percent total); LPG carriers chemical carriers, other dry cargo vessels (except cement carriers), floating units for oil production and prospection and support units for same--7 percent (12½ percent total).

Export Credit for Ships

The private banks and the Banco Exterior provide export credits covering 70 percent of the contract price, for 7 years at 6.9 percent, to which must be added various charges making a final gross rate of 8 percent.

Export Credit Insurance

Export credit insurance is written exclusively by the Compania Espanola de Sequros de Credito a la Exportacion SA (CESCE), which is financed by both public and private capital.

Loans and Interest on Loans

Private banks and the Construction Credit Bank make loans to Spanish ship owners for the building of all types and sizes of ships, except tankers and combined bulk carriers. The credits are 80 percent of the ships price at 8 percent interest repayable in 12 years with 2 years grace.

For conversions and major repairs to ships, credits are available for 70 percent of the value of the conversion or repair at 8 percent interest, repayable in 5 years with 1 year grace. In 1978 the state-owned Banco de Credito y la Construccion (BCC) was authorized to grant loans on newbuildings of over 8,000 grt. which previously had to be partly financed in the private sector.

Tax Benefits

About 12 percent of the total cost of the shipbuilding industry represents indirect taxation. Under the general export policy, all shipbuilding is eligible for a refund equal to this percentage, calculated after deduction of the customs duty rebate mentioned below.

Customs Duty Exemption

Imported material for incorporation in ships for export is considered as a temporary import and is exempt from customs duty. To take account of customs duties paid on imported material and equipment for ships for the domestic market a rebate of 7 percent is granted which partly offsets these duties; the rebate is reduced to 4.5 percent in the case of imported propulsion gear and for fishing vessels. In the case of ships for export, the rebate is calculated after deducting from the value of the ship the value of materials imported under the system governing temporary imports.

There is a 14 percent customs duty on imported ships, only 10.5 percent on ships imported from EEC countries.

Cargo Preference and Cabotage

Spain restricts to national vessels, through government monopolies, many imports such as petroleum, tobacco, and cotton. When Spanish-flag ships are subjected by another country to measures contrary to free competition they shall have the right to apply similar measures in return.

Coastwise trade is reserved to Spanish-flag ships.

Import Restrictions

Imports of ships from all countries are subject to prior procurement of an import license. These are granted with some reluctance, but some ships are nevertheless imported.

Government Ownership

Spanish government participation in shipping companies represents about 11 percent of the total number of ships of 100 gross tons and over. These ships are operated primarily through the INI-owned Empressa Nacional "Elcano" and the state-owned Compania Arrendataria Monopolio de Petroleos S.A. (CAMPSA). The government purchased the Transmediterranea Shipping Line.

The government controls 100 percent of Empresa Nacional Bazan de CNMSA (Bazan) which manages the naval dockyards and also builds merchant vessels, and Astilleros y Talleres del Noroeste SA (ASTANO) and most of the shares of Astilleros Espanoles SA (AESA). The three companies function as private firms, receive no preferential treatment, and represent 92 percent of Spain's shipbuilding capacity.

Other

There are no strictures imposed on the day to day running of fleets by the Spanish government. However, certain stipulations are laid down for fleet development. New buildings must emanate from Spanish yards. Vessel acquisition must generally be confined to Spain. Spanish owned tonnage must be under home registration. There is no provision for foreign nationals to be employed on Spanish vessels. Marine insurance is confined to the domestic market.

SWEDEN

ECONOMIC BACKGROUND

Size of Fleet:	265 vessels;	10,819,000 dwt.
Freighters :	133 vessels;	1,242,000 dwt.
Tankers :	76 vessels;	6,294,000 dwt.
Bulk Carriers:	54 vessels;	3,277,000 dwt.
Other :	2 vessels;	6,000 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$27,530	$28,538
commodities :	machinery, motor vehicles, wood pulp, paper products, iron and steel products	machinery, motor vehicles, petroleum and petroleum products, textile yarn and fabric
major trading partners:	EEC, Norway, U.S.	EEC, U.S., Norway

GNP (1977) : $77,200,000,000
GNP/capita (1977): $9,340

Formerly the bulk of the production of Sweden's shipbuilding industry was for export but the larger part is today for Swedish shipowners. Swedish yards have the facilities to build vessels of up to 700,000 tons.

Swedish-flag vessels carried 20 percent of Sweden's ocean borne foreign trade in 1977 (15 percent of imports and 30 percent of exports).

GOVERNMENT AIDS

In 1977 and 1978, the Swedish shipbuilding industry received about 70 percent of the Swedish state's total reconstruction aid to all branches of industry.

Operation Subsidy or Aid

There is no operating subsidy for ships in the foreign trade.

In the domestic trade, aid is granted in the national interest to some minor companies serving the archipelago of Stockholm, Gothenburg, etc. and a company serving the Isle of Gotland.

Construction Subsidy or Aid

There is no direct construction subsidy for vessels operating in the foreign trade.

Export Credit

The Swedish Export Credit Board is authorized to finance Swedish ship exports on OECD terms to the end of 30 June 1981.

Export Credit Insurance

As for other industries, export credit insurance for ships may be obtained from the Swedish Export Credits Guarantee Board. Premium rates vary according to the risks covered, the length of the credit, the buyer's country, etc.

Tax Benefits

The only advantage shipping has over most other industries is the permission to transfer taxable earnings from the sale of vessels to a special fund, which, if used to acquire new vessels, is not taxable. All industries including shipping, are entitled to transfer profits to a tax free fund for the equalization of market fluctuations in the business cycle.

Ships over 20 tons (whether Swedish-built or imported) are exempt from value added tax. A rebate of value added tax is paid in the case of ships exported, under the rules for export industries in general.

Custom Duties

Imported materials for building ocean-going ships (whether built for export or national owners) are exempt from customs duty.

Loans and Interest on Loans

The government provides guarantees, within certain limits, for loans obtained by Swedish shipyards from domestic or foreign credit institutions. The aim of these guarantees is to help shipyards to refinance part of their outstanding construction credits to Swedish and foreign shipowners. They are used primarily as collateral security for loans secured by mortgage. The guarantees are limited to 80 percent of the ship's value. The yards pay a guarantee fee of 1/4 to 1 percent per year.

This system, in effect since 1963, was continued under the Shipbuilding Act of June 6, 1980.

In order to facilitate shipyard conversion to alternate products (other than ships), 200 m Swedish krona were allocated for loans for 1979 and 1980. Another 800 m has been allocated for the period 1980-1984.

Swedish shipowners who order vessels from Swedish yards can obtain financial support in the form of credit guarantees (12 years with the possibility of extension to 15 years) which may amount to a maximum of 90 percent of the contract price. Shipowners have to pay at least 10 percent in cash. Shipyards may get conditional write-off loans for 1981 of a maximum of 15 percent of contract price.

The Swedish Ships' Mortgage Bank is granting credits to Swedish shipowners against a mortgage within 50 percent and 70 percent of the estimated value of a new ship. The credit is 15 years for loans with 50 percent of the value and 10 years between 50 and 70 percent of the value. The loans are to be redeemed by annual installments of one-fifteenth per annum and one-tenth per annum respectively. The rate of interest is dependent on the current rate of interest ruling on the bond market, but remains unchanged during the credit period.

In order to strengthen the solidity of the shipping lines and increase the incentive to invest, as from July 1, 1980 certain tonnage of importance for Swedish transport requirements may get value guarantees. The guarantees contain no direct subsidies but have the effect that the Government stands certain risks.

Furthermore, in order to equalize credit conditions with those offered by foreign yards, Swedish shipowners may get interest subsidies, inside a frame of 300 m Swedish krona, when placing orders in Swedish yards before the end of 1983, the aim being to equalize difference between the current market interest rate and the lowest interest rate agreed upon according to OECD terms.

A guarantee system with the purpose of preventing modern Swedish ships being sold at extremely low prices, is in operation as from July 1, 1980 until December 31, 1983. The sum of these guarnatees offered Swedish owners amounts to $55 million.

Depreciation

All industries are permitted to depreciate at 30 percent of book value per year or to a complete write-off in 5 years. Depreciation may not exceed the purchase price of the vessel.

On a contracted vessel to be delivered, depreciation not exceeding 30 percent of the contracted price is permitted prior to delivery.

Government Ownership

The government has nationalized most of the major shipyards, placing them under a holding company called Swedyards Corporation.

Other

Under certain restrictive conditions transfer to tonnage to other flags, mainly those of traditional maritime countries is allowed.

Contributions to Research

Since fiscal year 1970/71, the Board for Technical Development has employed 12-14 million Swedish krona to support R & D projects of special importance to the shipbuilding industry.

During FY 79/80, the Board's total support to industrial R & D in Sweden amounted to 416 million Swedish krona and the Board's support to R & D projects of special importance to the shipbuilding industry was about 12 million Swedish krona.

SWITZERLAND

ECONOMIC BACKGROUND

Size of Fleet:	27 vessels;	354,000 dwt.
Freighters :	19 vessels;	166,000 dwt.
Tankers :	3 vessels;	9,000 dwt.
Bulk Carriers:	5 vessels;	179,000 dwt.
Other :	0 vessels;	0 dwt.

Foreign Trade: (1979)

	exports	imports
value (mi'lion US$) :	$26,535	$29,351
commodities :	machinery and equipment, precision instruments, chemicals, foodstuffs	machinery, transport equipment, metals and metal products, foodstuffs, textile fibres and yarns
major trading partners:	EEC (Ger), U.S., Austria	EEC (Ger), U.S., Austria

GNP (1977) : $70,110,000,000
GNP/capita (1977): $11,080

The Government of Switzerland maintains tight control over registration of oceangoing vessels under the Swiss flag. Corporations owning ships under Swiss registry must be listed in the Swiss Commercial Register, must have its operating headquarters and its center of activity in Switzerland, and all of its managers, associates, or partners must be Swiss citizens resident in Switzerland. At least 3/4 of all shares and the entire original capital must be held by Swiss stockholders residing in Switzerland.

The Swiss government permits up to 50 percent of the financing of Swiss-flag sea-going vessels to be foreign financing as long as the above requirements are met.

There are no statistics available as to the percentage of Switzerland's foreign trade which is carried by Swiss-flag vessels. In peacetime ships are trading in free competition and most of the goods carried are for foreign account.

GOVERNMENT AIDS

The Swiss Government offers loan guarantees to its shipowners.

TAIWAN

ECONOMIC BACKGROUND

Size of Fleet:	149 vessels;	2,813,000 dwt.
Freighters :	98 vessels;	785,000 dwt.
Tankers :	13 vessels;	655,000 dwt.
Bulk Carriers:	33 vessels;	1,324,000 dwt.
Other :	5 vessels;	49,000 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$13,014	$11,344
commodities :	clothing, footwear, plastic articles, manufactures	crude petroleum, logs, agricultural products
major trading partners:	U.S., Japan, Hong Kong, EEC, Indonesia	Japan, U.S., Malaysia, Saudi Arabia, EEC

GNP (1977) : $19,800,000,000
GNP/capita (1977): $1,180

Taiwan intends to raise the capacity of its fleet of merchant ships to a level of carrying 70 percent of bulk and 40 percent of miscellaneous imports and exports.

PUBLIC AIDS

Construction Subsidy or Aid

Construction subsidy is granted only in special cases, such as ships to be registered in Taiwan which are ordered from the domestic shipyard. The authorities will pay one-third of the expenses resulting from construction in Taiwan. Furthermore, of the total cost of construction under the six-year economic plan, 80 percent will be publically financed by loans or guarantees and the remainder will be raised by the shipping lines. The domestic construction price cannot exceed by more than 5 percent the international price of similar vessels.

Customs Duties

There is no duty on items imported for building and fitting out ships.

Tax Benefits

Income taxes do not apply to newly-built ships registered in Taiwan for a period of five years.

Loans and Interest on Loans

Under the six-year economic plan, public-financing is provided for 80 percent of the ship cost of domestic built and owned vessels. The loans are repayable over seven years at 8.5 percent annual interest rate which will be paid by the Ministry of Economic Affairs.

Depreciation

Depreciation rates are 12-15 percent on tankers, and 15-20 percent on cargo ships on a uniform annual basis.

Cargo Preference

There is no legislation to enforce cargo preference, but preference on certain bulk goods is generally given to domestic companies which maintain regular liner services.

Public Ownership

There is only one publically-owned shipyard, China Shipbuilding Corporation, in Taiwan. It is capable of building large ships exceeding 100,000 dwt. with slipways to build vessels under 30,000 dwt. in production.

China Merchants Steam Navigation Company, and the Taiwan Navigation Company are also publically-owned.

Yang Ming Marine Transport Corporation is a subsidiary of China Merchants Steam Navigation Company and is its operating arm.

Other Aids

Shipments are planned under the supervision of the Ministry of Commerce with first priority being given to vessels built under the Measure for the Joint Development of Trading, Shipping, and Shipbuilding. Second priority is given to ordinary vessels registered in Taiwan and third priority to other vessels.

When shipping companies plan to build new vessels, they must first ask domestic shipping companies to build. If they are unable to undertake the construction, the shipowners may place orders with foreign shipyards, after gaining Ministry of Commerce approval.

High priority is given to the building of such vessels as container ships, multipurpose cargo ships, and special ships for carrying imported bulk grains and minerals. These vessels must be registered in Taiwan, sail in lanes pertinent to the Taiwan trade and not be leased out, but run by the shipowner.

THAILAND

ECONOMIC BACKGROUND

<u>Size of Fleet</u>:	48 vessels;	405,000 dwt.
Freighters :	32 vessels;	222,000 dwt.
Tankers :	15 vessels;	181,000 dwt.
Bulk Carriers:	1 vessel;	2,000 dwt.
Other :	0 vessels;	0 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$5,284	$7,211
commodities :	rice, sugar, corn, rubber, tin, tapioca	machinery, transport equipment, fuels and lubricants, base metals, chemicals, fertilizers
major trading partners:	Japan, EEC, U.S.	Japan, U.S., EEC

GNP (1977) : $18,660,000,000
GNP/capita (1977): $430

At the end of 1979 and first half of 1980, there were no vessels on order or under construction for registry in Thailand.

During 1978, Thai-flag vessels carried 5.27 percent of Thailand's oceanborne foreign trade (5.15 percent of imports and 5.43 percent of exports). There appeared to be no Thai-flag vessels carrying U.S. oceanborne foreign trade during 1978-1979.

Bangkok is Thailand's major port. Bulk grains may be loaded at Sriracha, Kosichang and Sattahip. Sattahip can also handle container vessels.

GOVERNMENT AIDS

Government Ownership

The government owns Thai Maritime Navigation Co., Ltd. (TMN). It also owns one-third of the equity shares in the European-Far East liner firm, the United Thai Shipping Corporation (UNITHAI).

Cargo Preferences

Government agencies are encouraged to use the government-owned forwarding agent (the Express Transport Organization) and vessels belonging to TMN and UNITHAI.

In December 1978, the Mercantile Marine Promotion Act B.E. 2521 was passed which aims at promoting Thai-flag vessels through fiscal and other measures, including cargo preference and prevention of dumping by foreign flag vessels.

The law empowers the government to permit a deduction amounting to not more than 50 percent of the costs of carriage, when using Thai-flag vessels for the carriage of exports and imports, from the shippers' net income prior to income tax calculation. It also empowers the government to make mandatory the use of Thai-flag vessels for the transportation of seaborne cargoes ordered by governmental agencies and enterprises.

TURKEY

ECONOMIC BACKGROUND

Size of Fleet:	154 vessels;	1,801,000 dwt.
Freighters :	96 vessels;	527,000 dwt.
Tankers :	28 vessels;	580,000 dwt.
Bulk Carriers:	19 vessels;	668,000 dwt.
Other :	11 vessels;	26,000 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$2,259	$5,066
commodities :	agricultural products, textiles and clothes	crude oil, machinery, transport equipment, metals, mineral fuels, fertilizers, chemicals
major trading partners:	EEC, U.S.S.R., Switzerland, U.S.	EEC, U.S., Switzerland

GNP (1977) : $46,580,000,000
GNP/capita (1977): $1,110

Turkish merchant fleet is composed of 460 units of freighters engaged in Turkey's coast-wise trade, as well as foreign trade wherein tankers, bulkers, dry cargo, ro-ro and specialized ships reaching maximum capacity of 146,000 DWT are employed for operation. However, fleet modernization which took place under the impetus of the second five year development plan, still continues with the aim of increasing the existing tonnage of Turkish merchant marine fleet whereof capacity is approximately 1,969,500 DWT based on information published by Lloyd's Register of Shipping 1978.

The Turkish government is building a new modern shipyard at Pendik near Istanbul but the Pendik yard will not be operational until sometime in the fourth plan period. Only three Turkish shipyards, all state-owned, can currently build large ocean-going vessels. There are the Camialti, Taskizak shipyards and Golcuk naval shipyard. Meantime, there are also privately-owned shipyards that are capable of building cargo vessels up to 15,000 DWT.

Turkey's major ports are Istanbul, Derince, Izmir and Mersin. So faras Turkish flag carriers participation in carriage of Turkey's oceanborne trade is concerned, 22 percent of exports and 27 percent of imports which respectively correspond to 1,488,609 and 5,617,730 tons is carried by them only out of overall exports and imports which appeared to be realized respectively as 6,673,702 and 20,516,374 tons during 1977.

GOVERNMENT AIDS

Loans

The Turkish government encourages the building of ships in Turkey and fleet renewal with modern tonnage by offering loans to both the private and public sector.

Cargo Preference and Cabotage

Coastal trade is reserved to Turkish flag ships.

Other

Turkish Cargo Lines is a state-owned company in possession of a fleet consisting of 58 vessels totalling 1,072,789 DWT, broken-down as follows:

1.	Dry Cargo Vessels	247,770 DWT
2.	Bulkers	406,170 DWT
3.	Tankers	413,352 DWT
4.	Ro-Ro Ships	5,497 DWT
	TOTAL	1,072,789 DWT

Furthermore, 8 container ships each 5,500 DWT, 5 bulkers each 18,000 DWT and 4 coasters each 2,700 DWT of capacity are under construction in Turkish shipyards and are expected to join the company's fleet in the very near future whereas according to unofficial sources Turkish flag ships on order are reportedly totalling to 270,624 DWT out of which 144,800 DWT are orders placed by the Turkish Cargo Lines for construction of the vessels mentioned above.

Turkish Cargo Lines has the most potential and is the largest shipping company of Turkey acting as liner and tramp operator with a modern fleet servicing almost all ports of the world with thoroughly experienced and competent maritime personnel.

ECONOMIC BACKGROUND

Size of Fleet:	14 vessels;	201,000 dwt.
Freighters :	11 vessels;	54,000 dwt.
Tankers :	1 vessel;	136,000 dwt.
Bulk Carriers:	0 vessels;	0 dwt.
Other :	2 vessels;	11,000 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$13,493	$6,757
commodities :	crude petroleum	food, consumer and capital goods
major trading partners:	U.S., EEC (U.K.), Japan	U.S., EEC (U.K.) Japan

GNP (1977) : $11,100,000,000
GNP/capita (1977): $14,800

GOVERNMENT AIDS

Government Ownership

The Abu Dhabi National Tanker Company is a wholly owned subsidiary of the state-controlled Abu Dhabi National Oil Company.

The government of Dubai owns 30 percent of the equity in the Dubai Maritime Transport Company.

UNITED KINGDOM

ECONOMIC BACKGROUND

Size of Fleet:	1,210 vessels;	46,412,000 dwt.
Freighters :	589 vessels;	6,185,000 dwt.
Tankers :	357 vessels;	27,927,000 dwt.
Bulk Carriers:	252 vessels;	12,227,000 dwt.
Other :	12 vessels;	73,000 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$91,014	$102,949
commodities :	machinery transport equipment, chemicals, metals, non-metallic manufactures, foodstuffs, petroleum	foodstuffs, petroleum, machinery, crude materials, chemicals, non-ferrous metals
major trading partners:	EEC, U.S., Switzerland, Sweden, Japan, Saudi Arabia, Nigeria	EEC (Ger), U.S., Switzerland, Sweden, Japan, Saudi Arabia, Kuwait

GNP (1977) : $254,100,000,000
GNP/capita (1977): $4,540

The United Kingdom has been a maritime nation throughout its history and, as an island nation, has had a heavy dependance on foreign trade. The British fleet is one of the most modern and diversified in the world, and is a substantial and consistent contributor to the balance of payments.

The United Kingdom has at least 300 ports, of which 90 ports handle foreign trade. British ports handle about 350,000,000 gross tons of cargo annually, but about one third of this tonnage is in the coastal trade.

In 1978 United Kingdom registered vessels carried 32 percent of the United Kingdom's oceanborne foreign trade cargo (29 percent of imports and 37 percent of exports).

GOVERNMENT AID

All new aid schemes for the shipbuilding industry must be approved by the European Community Council. The requirements Brussels places on aid schemes are: 1) they are not to operate against other European Community yards; and 2) that aid goes only to yards that stand a long term chance of survival.

Operating Subsidy or Aid

There is no operating subsidy in the foreign trade.

In the domestic trade exchequer grants are given to provide transportation (1) to the western highlands and islands of Scotland, (2) for service between the north and south isles and the mainland of Orkney, and (3) for service between the north isles and the mainland of Shetland. The purpose is to provide essential transport service to the above remote and sparsely populated areas. The authority for this subsidy is the highlands and islands Shipping Service Act, 1960. The cost of this is about $16,700,000 (i.e., about £ 7,300,000 in sterling) a year. Local authorities in the highlands and islands are making increased use of the powers to assist rural ferry services (including some important services to the islands) given by Section 151(3) of the Local Government (Scotland) Act 1973.

Construction Subsidy

"An intervention fund with starting capital of (£65m) was introduced on 24 February 1977 to help British shipbuilders compete against foreign yards. In 1978 a further (85m) was injected into the fund extending its life to 31 March 1979. When the current administration took office in May 1979, negotiations with the EEC took place in order to retain the scheme and it was agreed that a further (£120m) could be used for this purpose; about 54 percent of this sum is to be used between July 1979 and July 1980, and the remainder in the year to July 1981. The maximum level of aid available to individual applicants is 23 percent of the contract price".

Credit Facilities for Export Orders

Export credit finance for merchant vessels arranged through banks in the United Kingdom is normally available with the official support of the Export Credits Guarantee Department. For new

merchant vessels of 100 GRT and above the current OECD terms apply, i.e., 80 percent of the contract value on credit repayable over 8½ years at an interest rate of not less than 8 percent (the EEC subscribing on the basis of a net interest rate of 7½ percent per annum plus credit insurance premium and banking charges to give an effective rate of at least 8 percent).

Consideration may also be given to supporting credit repayable over up to 5 years for second-hand merchant vessels. Subject to special criteria, credit facilities are also available to support the export of warships.

Taxation

"Relief is given in respect to certain indirect taxes borne by the shipbuilding industry. The rate of relief is 2 percent of the contract price for the ship and represents the average incidence of these indirect taxes on the shipbuilding costs.

Military and commercial ships of 15 gross tons or more are zero rated for Valued Added Tax purposes."

Exemption From or Rebates of Customs Duty

Goods imported for incorporation in ships are exempted from duty under shipwork end-use relief.

The relief applies to imports from any source for use in vessels designed as sea-going, and, with the exception of lifeboats and fishing boats, having an overall length of not less than 12 metres.

Credits and Loans

The Industry Act 1972, as amended by the Industry Act 1975 and the Shipbuilding Act 1979, provides for Government guarantees for the repayment of loans for the construction or alteration of ships and mobile offshore installations in the United Kingdom for UK shipowners. Lending institutions make loans available to the shipowners at a low fixed rate of interest, but receive a commercial rate of return through the Government's interest support arrangements. The purpose of the scheme is to ensure that credit terms available under other countries' export credit schemes do not place UK shipyards at a disadvantage when competing for orders from UK shipowners. The terms of the scheme conform with the OECD understanding on credit for ships.

Government Ownership or Shareholding

On July 1, 1977, 19 shipbuilding companies, 5 diesel marine engine manufacturers and 3 training companies, were nationalized to form the British Shipbuilders (BS). One further shipbuilding company and six shiprepairers were subsequently acquired by BS. The latter's Corporate strategy aims to reduce capacity to about 400,000 compensated gross registered tons per annum and to concentrate activity on core yards which BS considers can be competitive internationally.

The government has the following shipping interests:

A. An interest in British Petroleum, the parent company of BP Tankers.

B. An interest in the nationalized British Rail Board, which owns ferry boats, and the Central Electricity Generating Board, which owns ships employed in coastal trade.

The publically owned sector including Harland and Wolff, accounts for about 97 percent of merchant shipbuilding, 99 percent of warship building, 100 percent of slow-speed diesel manufacture, and some 50 percent of ship repairing activity.

Other

"The Harland and Wolff Shipyard in Belfast is separate from British Shipbuilders and its shares are entirely owned by the Northern Ireland Department of Commerce. That Department has, with the approval of the EEC, created an intervention fund of approximately \$57* million to assist in winning new orders during the period 1980/81."

*The figure in sterling is £25 million.

UNITED STATES

ECONOMIC BACKGROUND

Size of Fleet:	879 vessels;	21,926,000 dwt.
Freighters :	481 vessels;	6,874,000 dwt.
Tankers :	302 vessels;	13,924,000 dwt.
Bulk Carriers:	22 vessels;	362,000 dwt.
Other :	74 vessels;	492,000 dwt.

Foreign Trade: (1978)

	exports	imports
value (million US$) :	$221,849	$229,658
commodities :	machinery, chemicals, autos, grain, iron and steel products, textiles, petroleum products	petroleum, coffee, sugar, iron and steel products, newsprint, copper
major trading partners:	Canada, S. America, W. Europe, Japan, Asia	Canada, S. America, Middle East, W. Europe, Japan, Asia

GNP (1978) : $2,108,000,000,000
GNP/capita (1978): $9,644

As of August 1, 1980 there were 57 vessels of 2,074,732 dwt. under construction in U.S. shipyards.

U.S.-flag ships carried 4.3 percent of the country's oceanborne foreign trade in 1979.1/

1/ Preliminary data

Operating Subsidy

Operating-differential subsidy is granted to United States ship operators to place U.S.-flag vessels operating costs on a parity with those of foreign competitors. Subsidy is based on the difference between the fair and reasonable cost of insurance, (protection and indemnity, and hull and machinery premiums), maintenance, repairs not compensated by insurance, wages of officers and crews, and subsistence of officers and crews on passenger vessels, and the estimated costs of the same items if the vessels were operated under foreign registry.

Subsidy is paid pursuant to operating subsidy contracts between the government and the operators. Authority for the payment of subsidy under these contracts is contained in Title VI of the Merchant Marine Act, 1936, as amended. In accordance with government/industry efforts to reduce government expenditures on privately owned merchant shipping, recently executed operating subsidy contracts have not included subsidy for hull and machinery insurance premiums*, and maintenance and repair costs, pursuant to the provisions of section 603 of the Act which permit the parties to the operating subsidy contracts to agree to a lesser amount of subsidy than that which is necessary to achieve parity.

Under Title VI, the operators holding subsidy contracts must be United States citizens and must possess certain other qualifications, the Secretary of Commerce must determine that the subsidized vessels are of United States construction and that the operation of such vessels in an essential service is required to meet foreign-flag competition and to promote the foreign commerce to the United States. Under certain circumstances, as to passenger vessels, in addition to the liner trades, operating subsidy is also authorized for the cruiser trades. In respect to cargo vessels, prior to the enactment of the Merchant Marine Act of 1970 which extensively amended the 1936 Act, operating subsidy was payable only to liner type vessels with scheduled sailings on established trade routes. The 1970 amendments broadened the scope of the term essential service to authorize the payment of operating subsidy to aid in the operation of bulk carrier type vessels, whether or not operating on particular services, routes, or lines. Also, Public Law 91-603 enacted December 31, 1970, which further amended Title VI of the 1936 Act, permits the payment of operating subsidy on leased as well as owned vessels.

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*In some instances, protection and indemnity insurance premimums and deductible are not included.

The subsidized operators under the operating-differential subsidy contracts must assume the obligations of a replacement program under which they are contractually required to construct new vessels to replace the existing vessels in their subsidized fleets as the existing vessels become obsolete. The number of vessels to be built under the replacement program and the vessels' designs are agreed upon after negotiations between the subsidized ship operators and the United States.

Since the enactment of Public Law 91-603, permitting the payment of operating subsidy on leased vessels, many of the ship operators, in order to raise the large amounts of capital necessary for the construction of modern vessels, have taken advantage of the leveraged lease financing method to cover the shipbuilding costs. Under this arrangement the ownership of the newly constructed vessels is vested in financial institutions and the vessels are leased by these institutions to the subsidized operators under bareboat charters. This method of financing, however, is not used solely in connection with the construction of vessels by operators who are receiving operating subsidy.

The total amount of subsidy paid under the operating-differential subsidy contracts during fiscal year 1979 was $301 million. Subsidy paid during fiscal year 1979 under special operating-differential subsidy contracts executed in connection with the shipment of grain to the Soviet Union was just over $10 million.

Construction Subsidy

Under the provisions of Title V of the Merchant Marine Act, 1936, as amended, provision is made for a construction-differential subsidy to build vessels to be used in the foreign commerce of the United States. The purpose of the subsidy is to enable United States shipyards to construct vessels in the United States on a parity with their foreign competitors, and thus enable U.S. ship purchasers to obtain U.S.-built vessels at competitive world prices.

The Merchant Marine Act, 1936, was further amended by a public law enacted July 31, 1976, which provides that, for construction contracts which are executed on a negotiated basis, as well as for those executed on a bid basis, the vessels being constructed under Title V may be aided by construction subsidy up to a rate of 50 percent of the domestic cost of the vessel.

A shipyard of the United States or Puerto Rico or a proposed purchaser who meet the qualifications set forth in the Merchant Marine Act, 1936, as amended, may apply for construction subsidy to aid in the construction or reconstruction of a vessel which will meet the requirements of the foreign commerce of the United States and will aid in the promotion and development of such commerce, and which will be suitable for use for military purposes in time of national emergency. Regardless of whether the shipyard or purchaser is the applicant, the construction subsidy is paid to the shipyard. Vessels built with the aid of construction subsidy must be manned by U.S. citizen crews, and must remain documented under the laws of the United States for not less than 25 years, except with respect to tankers and other liquid bulk carriers which must remain so documented for not less than 20 years.

The combined costs on the vessels which were under CDS contracts for construction or reconstruction on September 30, 1979 totalled $2 billion, of which $795.6 million will be paid by the government.

There is no construction subsidy for vessels operating in the domestic trade.

Tax Benefits

In general, shipping is treated similarly to other industries, except that United States citizens owning or leasing eligible vessels may obtain certain tax benefits through the maintenance of Capital Construction Funds and Construction Reserve Funds to construct qualified vessels.

The Capital Construction Fund (CCF) program is a method of aiding United States vessel operators in accumulating capital necessary for the construction, reconstruction, and acquisition of vessels of United States registry built in the United States. The purpose of the program is to remove certain competitive disadvantages that U.S. operators have relative to foreign-flag operators. The CCF extends tax deferral privileges to vessel operators in the U.S. foreign commerce and in the non-contiguous and Great Lakes domestic trades.

The CCF program is authorized by section 607 of the Merchant Marine Act, 1936, as amended, and arose from the 1970 amendments to the Act. Prior to 1970 only subsidized operators had tax deferred funds, referred to as Capital Reserve Funds, under section 607. The revised CCF program under section 607 is available to both subsidized and non-subsidized operators, and the old Capital Reserve Funds have been phased out of existence.

Section 607 allows for the deferment of income taxes on certain deposits of money or other property, if the funds are used to construct vessels in U.S. shipyards. An operator may deposit earnings or gains realized from the operation of an agreement vessel; net proceeds realized from the sale or other dispositon of an agreement vessel or from insurance or indemnification from the loss of an agreement vessel; and earnings from the investment or reinvestment of amounts on deposit in the fund. In general, the taxable income of the operator is reduced to the extent deposits of money are made into the fund under these ceilings.

An operator may also deposit in a CCF amounts allowable as a depreciation deduction with respect to agreement vessels. Such deposits do not directly reduce taxable income, but the earnings from such funds may be accumulated on a tax deferred basis.

By the investment of the assets in the CCF, a fundholder may compound the fund benefits and develop an expanded pool of tax deferred funds. However, the investment of the fund in securities and stocks is subject to certain restrictions which are intended to preserve the integrity of the fund.

A fund established pursuant to section 607 is maintained in three accounts: an ordinary income account, a capital gain account, and a capital account. The manner in which the funds would be taxed if not deposited is the primary determinant of the account to which a deposit is credited. When qualified withdrawals are made from the fund for the construction, reconstruction or acquistition of vessels, barges or containers, certain basic adjustments are made to the assets being acquired depending upon the account from which the monies are withdrawn. Withdrawals from the ordinary income account reduce the tax basis of the acquired vessel by an amount equivalent to the amount withdrawn. Withdrawals from the capital gain account result in a partial reduction of bases, and withdrawals from the capital account do not reduce the basis of the vessel.

If a withdrawal is made from the fund for other than a qualified purpose, any amounts withdrawn from the ordinary income and capital gains accounts are taxable as if earned in the year of withdrawal. Additionally, the tax attributable to the nonqualified withdrawal is subject to an interest charge for the period between the year the amount was deposited and the year the withdrawal is made. Since the tax is paid on nonqualified withdrawals, no adjustments to bases arise as a result of a nonqualified withdrawal.

The Construction Reserve Fund (CRF) authorized by section 511 of the Merchant Marine Act, 1936, as amended, is also a financial assistance program which provides tax deferral benefits to United States shipowners. Through the CRF shipowners operating vessels in the foreign or domestic commerce of the United States can defer the gain attributable to the sale or loss of a vessel. The proceeds deposited must be used to construct, reconstruct, or acquire vessels of United States registry built in the United States. Although any gains on such transactions are not recognized for income tax purposes if the deposits are properly expended for a vessel, the bases for determining depreciation of such a vessel is reduced by the amount of any such gains.

The ability to deferr gain on certain transactions through deposits to the CRF applies only to vessel owners. Citizens operating a vessel owned by another party cannot benefit from the provisions relating to the non-recognition of gain from the sale or loss of a vessel.

Section 511 also permits a vessel's owner or operator to deposit into the CRF earnings from the operation of United States registry vessels and earnings from the investment of the fund. Such deposits do not exempt the taxpayer from tax liability on the earnings nor do they postpone the time such earnings are includable in gross income. However, earnings so deposited are considered to have been accumulated for the reasonable needs of business and are not subject to accumulated earnings tax. This ability to accumulate funds for the construction, reconstruction, or acquisition of a vessel is the only benefit available through the CRF to a non-owner operator of a vessel.

Loans and Interest on Loans

Pursuant to Title XI of the Act, the Maritime Administration is authorized to guarantee obligations (including notes, bonds and bank loans) to aid in financing the construction or reconstruction of vessels designed principally for research, or for use in the domestic or foreign commerce of the United States. The shipowner, managing agent, and bareboat charterer are required to be U.S. citizens. In the opinion of the United States, the shipowner and/or bareboat charterer must possess the qualifications necessary for the adequate operation of the mortgaged property and the proposed project must be economically sound.

Obligations during the construction period can be issued on a short or long term basis with the short term obligations usually converted to long term obligations upon maturity. At delivery, a mortgage is then placed on the vessel in favor of the Secretary if guarantees were issued during the construction period. If there is no guarantee during the construction period, a mortgage is placed on the vessel at the time the guaranteed obligations are issued. In certain instances a guarantee may be placed on an existing vessel to pay for the construction cost of a new vessel.

Vessels eligible for guarantees under Title XI, of design satisfactory to the United States, include passenger, cargo and fishing vessels, tankers, towboats, dredges, barges, floating dry-docks, oceanographic research or instruction or pollution treatment, abatement or control vessels.

Guarantees on the obligations are granted up to 75 percent or to 87½ percent of the shipowner's cost, depending on the type of vessel being constructed or reconstructed. Ships being built with the aid of construction subsidy may also be eligible for a Title XI guarantee up to 75 percent of the construction cost of the vessel to the shipowner.

Public Law 90-341 authorizes interest at rates not to exceed such percent annually on the principal obligations outstanding as the Secretary of Commerce determines to be reasonable taking into account private market conditions and the risks of the government.

The purpose of Title XI is to foster private rather than direct government financing of vessel construction and reconstruction.

As of September 30, 1979, Title XI guarantees in force amounted to nearly $6.4 billion.

Other

Section 510 of the Act authorizes the Maritime Administration to acquire privately-owned obsolete vessels in exchange for an allowance of credit payable to the shipowner or shipbuilder on the construction of new vessels and also to acquire mariner class vessels constructed under Title VII of the Merchant Marine Act, 1936, and Public Law 911, Eighty-first Congree, and other suitable vessels, constructed in the U.S., which have never been under foreign documentation, in exchange for obsolete vessels in the National Defense Reserve Fleet.

Under sections 501 and 509 national defense features which are paid for entirely by the government are included in vessels under construction. If a vessel is built with construction subsidy, such payments are not considered part of the subsidy. Some of these national defense features are:

1. Increased shaft horsepower, using naval design criteria.

2. Atomic, biological, and chemical washdown facilities.

3. Increased turbogenerator capacity.

4. Heavy lift boom structure suitable for future installation of a 60 ton boom.

5. Increased boom lift capacity, from 5 to 10 tons at certain hatches.

6. Limited fueling-at-sea installations.

Certain types of government-owned or financed cargoes are preferentially routed via U.S.-flag commercial vessels.1/ In some of the government-aid programs the sponsoring agency assumes the additional cost of U.S.-flag freight over those for foreign flags. For example, under Title I of Public Law 480, the Department of Agriculture finances, with dollars, the ocean freight differential for U.S.-flag vessels required to be used. The foreign governments finance in U.S. dollars that portion of the ocean freight equal to the world market rate.

Section 714 of the Act provides that if the Secretary of Commerce shall find that any essential trade route cannot be otherwise successfully developed and maintained, he may have ships built to be chartered to American-flag operators at not less than four percent per annum of the estimated foreign cost of such ships, plus an annual percentage of the depreciated foreign cost of the basis of a 25 year life, as determined by the Secretary of the Treasury, plus an allowance for administrative costs. Such charters may contain an option to purchase such ships within five years from date of delivery under the charter at the estimated depreciated foreign cost. There are no moneys appropriated to build ships for this purpose.

1/ The various statutes under which these cargoes move are:

1. The 1904 Act which gives U.S.-flag ships preference in the transportation of supplies for the armed services in direct overseas support of the U.S. military establishment.

2. Public Law 664, enacted in 1954, which is included in the revised 1936 Act. This Act stipulates that at least 50 percent of all government generated cargo must be carried on U.S.-flag ships to the extent of their availability at fair and reasonable rates.

3. Public Resolution No. 17, enacted in 1934 applies to Ex-Im Bank loans for the exportation of goods from the United States and provides for their carriage exclusively in U.S.-flag ships except when waivers are granted by the Maritime Administration, as provided in the Resolution.

Further chartering authority is found in section 510(d) of the Act which permits the owner of an obsolete vessel which has been traded in on new construction to use the obsolete vessel during the construction period at a rate to be fixed by the Assistant Secretary of Commerce for Maritime Affairs.

Coastwise and intercoastal trade is restricted to U.S.-flag ships.

The U.S./People's Republic of China and the U.S./U.S.S.R. maritime agreements provide that each country shall carry a "substantial share", (not less than one-third), of the total number of weight tons of bilateral cargo carried in the trade between them.

An agreement between the U.S. and Brazil gives the national-flag carriers of each country equal access to the government controlled cargoes traded between them.

URUGUAY

ECONOMIC BACKGROUND

Size of Fleet: 14 vessels; 247,000 dwt.

Freighters :	9 vessels;	53,000 dwt.
Tankers :	5 vessels;	194,000 dwt.
Bulk Carriers:	0 vessels;	0 dwt.
Other :	0 vessels;	0 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$789	$1,173
commodities :	wool, hides, meat, textiles	fuels, metals, machinery, transport equipment, industrial chemicals
major trading partners:	Brazil, EEC (Ger), U.S.	Brazil, U.S., EEC (Ger)

GNP (1977) : $4,170,000,000
GNP/capita (1977): $1,450

Uruguayan-flag vessels carried 15 percent of the country's oceanborne foreign trade in 1975 (20 percent of imports and 6 percent of exports).

Montevideo is Uruguay's principal port.

GOVERNMENT AIDS

The government policy is to facilitate merchant marine operations, but it grants no dirrect subsidy.

Tax Benefits

The government-owned shipping lines are exempt from some taxes. There is a proposal under consideration for the exemption from all taxes, but is has not as yet been approved.

The import of ships, of more than 1,000 dwt., intended for the National Merchant Navy, are exempt from consular fees and any other tax.

Uruguayan-flag oceangoing vessels, except those engaged in trade with LAFTA countries, pay consular, pilotage and wharfage fees and sanitation taxes, as do foreign-flag oceangoing vessels. However, there is a 25 percent reduction in wharfage and dockage fees, and an exemption from the daily fees charged non-working vessels for Uruguayan-flag ships. Trade with LAFTA countries is considered, by the government, to be coastal trade and cargoes from those countries, if arriving on Uruguayan-flag vessels, are exempt from payment of consular fees of 12 percent. Uruguayan vessels are exempt from the payment of small lighthouse fees. Foreign as well as Uruguayan-flag vessels contribute 15 percent of ships' wages to the Government Stevedores' Labor Assoication.

National flag vessels, including those vessels chartered by Uruguayan citizens or corporations, are entitled to: (a) exemption from all import duty in respect of spare parts, equipment, provisions, fuel, and lubricants necessary for their operation; (b) exemption from all taxes levied on their sale guarantees and registration of the relevant acts; (c) exemption from consular fees; (d) exemption from VAT on all freight charges and passenger fees earned by them; (e) the right to deduct the fiscal value of ships from the property tax; and, (f) total or partial exemption from duties payable for the various services required by national-flag ships and the goods carried in them.

Cargo Preference

Importers and exporters receive a tax rebate if they ship their goods on Uruguayan-flag vessels.

Loans

Firms whose majority of stockholders (and/or members of their Board of Directors) are Uruguayan are eligible for loans from the Merchant Navy Development Fund. These loans can be for (a) the construction of ships and necessary major repair work (b) the renewal, conversion and modernization of ships, or (c) the purchase of "new" ships built not more than 15 years before the date of the loan application.

The government corporation , ANCAP, has a monopoly on refining crude oil. ANCAP uses national as well as chartered foreign-flag vessels in the carriage of imports with 31 percent participation for national vessels and 69 percent for foreign-flag vessels. Local subsidiaries of Exxon, Texaco, and Shell also import crude oil. They pay ANCAP a refining fee, and then market the refined product.

Merchandise arriving in Uruguay for use by state entities as well as certain exports are entitled to "fiscal exemptions." Such cargo must, however, be shipped via Uruguayan-flag vessels.

Law No. 14.650 establishes as a general policy the reservation of 50 percent of Uruguayan waterborne foreign trade and in particular 100 percent of imports for Uruguayan-flag vessels. Foreign ships can be used if no Uruguayan-flag vessels are available and prior authorization has been obtained from the Minister of Transport and Public Works. Such vessels must be included in international maritime transport exchange agreements between Uruguay and the flag country.

The government of Uruguay is empowered under the law to extend the ship Uruguayan requirement to exports that are tax exempt or are financed by the national banking system.

Uruguay has agreements with Brazil and Argentina which provide for an equal sharing of the cargo carried between them.

Government Ownership

The government owns and operates, through the National Port Administration, two small river boats; through the National Fuels, Alcohol and Portland Cement Administration (ANCAP), two ocean-going and one coastal vessel, and through the Ministry of Defense, two large tankers chartered to ANCAP for the transport of crude to the refinery in Montevideo.

VENEZUELA

ECONOMIC BACKGROUND

Size of Fleet:	74 vessels;	1,045,000 dwt.
Freighters :	51 vessels;	441,000 dwt.
Tankers :	19 vessels;	580,000 dwt.
Bulk Carriers:	4 vessels;	24,000 dwt.
Other :	0 vessels;	0 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$13,055	$9,185
commodities :	petroleum, iron ore	industrial machinery and equipment, chemicals, manufactures, wheat
major trading partners:	U.S., Canada, EEC, Spain	U.S., Japan, Spain, EEC

GNP (1977) : $35,480,000,000
GNP/capita (1977): $2,630

The economy of Venezuela depends to a large extent on the petroleum industry. In 1978 petroleum exports averaged 2,362,736 barrels a day.

Ninety percent of Venezuela's foreign trade is carried by sea and therefore it is in its interest to maintain a sufficient and adequate merchant fleet to hand this trade.

The Venezuelan flag transports nearly 30 percent of its general cargo trade, that is on the order of 10 million tons in 1980. Its participation in the carriage of petroleum exports is minimal.

GOVERNMENT AIDS

Operating Subsidy

The Venezuelan merchant fleet does not enjoy any type of operating subsidy. C.A. Venezolana de Navegacion, a state enterprise, pays all its taxes, including income tax, the same as any private enterprise.

Cargo Preference and Cabotage

The Law for the Protection and Development of the National Merchant Marine reserves 50 percent of Venezuela's general cargo foreign trade to the national flag fleet and requires the companies receiving this benefit to be 80 percent Venezuelan owned and 100 percent Venezuelan administered. It also reserves for the national fleet the transport of cargo imported for public entities and those entities receiving fiscal benefits. The cargo can also be placed on private Venezuelan vessels when the route is not serviced by State vessels or when the government has authorized the carriage, nevertheless, priority is given to State vessels.

In 1966, the United States and Venezuela made an arrangement by which bilateral cargoes protected by official laws and regulations of either country is equally distributed.

CAVN maintains services in conjunction with various foreign lines that receive associated line treatment and have the right to transport official cargo or receive exonerations like State vessels. Each of these agreements with European and Japanese lines have determined the figures and conditions of participation of each other's vessels. These agreements are elaborated by discussions between the parties.

The Law for the Protection and Development of the National Merchant Marine enables the National Executive to reserve for national vessels no less than 10 percent of petroleum and petroleum products transport, and of other bulk cargo, such as iron, wheat, etc., until attaining at least 50 percent of total commerce. The government has not yet made use of this facility.

Coastal traffic is reserved for national flag vessels.

Government Ownership

The C.A. Venezolana de Navegacion is a State enterprise operated as a totally distinct government agency.

Diques Y Astilleros Nacionales, C.A. (DIANCA), located in Puerto Cabello, is a government owned dry dock.

There is a shipyard construction project in Los Taques, Isla de Paraguana, being built as a joint venture with the Spanish government; Venezuela retains 55 percent of the investment.

Other

In international traffic operations, the only tax differential that exists in favor of the national fleet was established in Article 24 of the General Regulations of the Pilotage Law which grants the national fleet a discount of 50 percent of the duties and remuneration for pilotage.

ECONOMIC BACKGROUND

Size of Fleet:	9 vessels;	129,000 dwt.
Freighters :	8 vessels;	113,000 dwt.
Tankers :	0 vessels;	0 dwt.
Bulk Carriers:	0 vessels;	0 dwt.
Other :	1 vessels;	15,000 dwt.

Foreign Trade: (1979)

	exports	imports
value (million US$) :	$2,774	$1,421
commodities :	copper, cobolt, diamonds, petroleum, coffee	consumer goods, foodstuffs, mining and other machinery, transport equipment, fuels
major trading partners:	EEC(Bel), U.S.	EEC, U.S.

GNP (1977) : $5,290,000,000
GNP/capita (1977): $210

Zaire has two major ports: Matadi and Boma.

Cargo Preference

Law 74-014 (7-10-74) gives Compagnie Maritime Zairoise (CMZ) the monopoly of sea transport of exports from the Republic of Zaire and the monopoly of all products imported with the assistance of the Bank of Zaire.

However, since July 25, 1977, Zaire belongs to the Code of Conduct of Maritime Conferences. This Code emphasizes the distribution of the freight on the 40/40/20 basis for reasons of efficiency of this monopoly.

CMZ wishes the creation of a Zairian Council of Freighters responsible for the control of all imports-exports.

Imports and exports between Zaire and Ports in Belgium, the Federal Republic of Germany, Netherlands, and the Scandinavian countries must be shipped in vessels participating in the conferences of the Associated Central West Africa Lines. Imports and exports financed by the Executive Council (Government) will have to be shipped by Zairian vessels; but for reasons of emergency or lack of CMZ ships available, other ships might assure the shipment, provided that they pay a retrocession commission to CMZ.

CMZ has the priority for shipment of all SOZACOM products to the countries mentioned above. In the case where these products would be carried by foreign ships, CMZ will perceive a retrocession or reservation commission.

In case of emergency aids, the food products, raw materials, auto parts for cars sold to Zaire, and vehicle equipment granted to Zaire by the above-listed countries, the priority of shipment will be as follows:

-- 50 percent on Zairian vessels,
-- 50 percent on CEWAL vessels.

Other imports and exports will be carried by CEWAL vessels.

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